

Covert Action

INFORMATION BULLETIN

Number 35

\$ 5.00

Friendly Enemies: The CIA In Eastern Europe



- Operatives and S&Ls: CIA and banks
- "Crisis" in the Persian Gulf
- Indonesia 1965

Editorial

The Cold War, we are told, is over. The winds of change have swept over the Soviet Union and Eastern Europe. Through covert and overt encouragement, the West, especially the United States, has been an active observer of these events. In parts of the Soviet Union and in many Eastern European nations considerable power is now wielded by friends of the United States.

In particular, the convergence of U.S. and West German interests and the headlong rush to unification calls for some sober reflection. With the assistance of a CIA President in Washington and a CIA Ambassador in Bonn, the new Germany has emerged as the leading force in Europe.

As U.S.-instigated propaganda insinuates that the cornucopia of foreign aid will soon flow to America's new allies in the East, the economy at home continues to plummet deeper into a depression.

Yet the intelligence community pursues, unrestrained, expensive investments—high-technology through satellite surveillance, an expansion of human and military intelligence capabilities—all in response to the changing global requirements. As cuts occur elsewhere, the CIA budget persists at an estimated \$10-12 billion.

The shift is towards economic espionage, and the KGB and CIA have entered into a limited partnership. The "curtain" may have been lifted but the actors have not left the stage.

Philip Agee

The U.S. continues to make life difficult for Philip Agee, former CIA operations officer and, since 1975, potent critic of the Agency. In 1979 the U.S. revoked his passport for exposing CIA officers and publishing material without clearance. Agee's challenge to the constitutionality of the State Department regulations under which his passport was revoked was denied by the Supreme Court in 1981.

Agee, who has remained a U.S. citizen, was given first a Grenadian, then a Nicaraguan honorary passport. This September, the Violeta Chamorro government—at the urging of the U.S.—revoked the latter passport.

In 1987, Agee applied for a new U.S. passport showing that, for years now, he had not divulged the identity of CIA personnel, and that he had submitted for clearance everything he had published.

The State Department denied the application, refusing, contrary to its regulations, to present any of the alleged witnesses against Agee. Despite a ruling by its own internal appeal board, State continues in its refusal. This has forced Agee to file a suit in Federal Court, which is pending. This action is the latest in nearly twenty years of efforts to prevent Agee from speaking, above all to people in the United States. For more information on how to help: Speak Out!, 2215-R Market St., #520, San Francisco, CA 94114, (415) 864-4561. ●

Table of Contents

Editorial	2	Publications of Interest	42
Analysis: The Changes in Eastern Europe		The CIA and Banks	
by Philip Agee, Ken Lawrence, Melvin Beck	3	by Rebecca Sims	43
Reinhard Gehlen: The Secret Treaty of Fort Hunt		The Middle East in "Crisis"	
by Carl Oglesby	8	by Jane Hunter	49
NED Meddles in Lithuania		The Other Iran-contra Cases	
by Philip Bonosky	17	by David MacMichael	52
The Destabilization of the Soviet Union		The Indonesian Massacres and the CIA	
by Sean Gervasi	21	by Ralph McGehee	56
Balkan Nationalists Peddling Fascism		The Indonesia Transcripts	
by Howard Goldenthal and Russ Bellant	27	by Kathy Kadane	59
The Free Congress Foundation Goes East		Book Review: The "Terrorism" Industry	
by Russ Bellant and Louis Wolf	29	by Jane Hunter	60
C.D. Jackson: Cold War Propagandist		Book Review: Tortillas, Beans and M-16s	
by Blanche Wiesen Cook	33	by William Vornberger	61
Cuba: Braving the Storm			
by Debra Evenson	39		

Cover Photo: Ronald Reagan and Mikhail Gorbachev in Moscow, September 17, 1990. Credit: Wide World Photos.

Back Cover Photo: Members of the Ukrainian Nationalist Organization. Credit: Associated Press.

CovertAction Information Bulletin, Number 35, Fall 1990, copyright © 1990 by Covert Action Publications, Inc., a District of Columbia Nonprofit Corporation; P.O. Box 34583, Washington, D.C. 20043; (202) 331-9763; and c/o Institute for Media Analysis, Inc., 145 W. 4th St., New York, NY 10012; (212) 982-2897. All rights reserved. Staff: Ellen Ray, Richard Ray, William Schaap, and Louis Wolf. Photography consultant: Dolores Neuman. Typeset by CAIB. Indexed in the *Alternative Press Index*, ISSN 0275-309X.

The Changes in Eastern Europe

CAIB has approached Philip Agee, Melvin Beck, Ken Lawrence, and a well-known journalist, asking them to analyze the differences they foresee in the intelligence apparatus of the CIA and KGB in light of the changes in Eastern Europe.

The CIA's Prospects in Eastern Europe

by Philip Agee

Philip Agee was a case officer for twelve years before leaving the CIA. At present he is battling the U.S. courts to regain his American passport. He is working on a new book, The ABC's of the CIA, to be published in 1991 by Lyle Stuart.

Early this year I participated in a Spanish television talk show on "The Winds of Change in Eastern Europe." Others on the program included Mircea Dinescu, a Romanian poet and hero of the Ceausescu overthrow; Adam Michnik, a founder of Polish Solidarity and KOR, now editor of a leading Warsaw newspaper; Jiri Pelikan, director of Czechoslovakian radio and television during the Prague Spring of 1968; and Marina Silvinskaya, professor at a Soviet institute of political studies.

Eastern Europe is not an area of expertise for me, but I accepted the invitation because I thought the events of 1989 opened many windows of opportunity for the CIA and other NATO intelligence services. When I mentioned this on the program, the Romanian, and then the Pole, went on at some length about how they saw not the slightest threat from the United States, including the CIA. None of the others professed concern either. It seemed the East Europeans, with the exception of the Soviet professor, viewed potential threats in a different historical context, as coming more likely from Germany or the Soviet Union.

Earlier in the day, during a luncheon hosted by the program, I asked Michnik what had become of the Polish intelligence service, adding that I had known one of their officers in Mexico City when I was in the CIA. He responded with a wide grin and words to the effect that the service is alive and well.

Six months later, in July, Craig Whitney of the *New York Times*, wrote from Bonn on the just-released annual report of

the West German internal security service on espionage directed against the Federal Republic. The report alleged that with the exception of East Germany, whose security service collapsed with the communist government, the countries of Eastern Europe continued intelligence operations in Western Europe throughout 1989 and into 1990. Nevertheless, the Czech Deputy Foreign Minister said at the same time that as of June 30, 1990, all officers of the Czech intelligence service had been transferred home.

For the CIA, 1989 was quite likely a boom year for counter-intelligence operations against these services. One can presume an unusual number of defectors took an opportunistic jump while they thought they still had marketable information. And the CIA no doubt increased its positive recruitment attempts to take advantage of the political turmoil that must have affected the officers of all the East European services.

As for covert action on the political scene, the CIA and certain other NATO services would be remiss if they failed to channel money and other items of value to anticommunist parties and institutions, especially in education and the media. They've been doing it since the 1940s, so why stop at the moment of greatest opportunity.

Follow the money flowing from the National Endowment for Democracy (NED) through the Republican and Democratic Parties, the U.S. Chamber of Commerce, and the AFL-CIO, to end recipients in Eastern Europe. Look for the secret CIA hand exercising operational control behind the scenes. As in other regions, the CIA can initiate NED financing of a favored institution simply by having them make application to one of the established conduits. Then through its liaison with NED the Agency can assure grant approval.

Religious institutions like the Catholic Church also provide excellent cover for getting money into countries for political purposes, and Eastern Europe has been no exception.

While each country of Eastern Europe provides a distinct political scene, the CIA's political parties of choice would be the traditional Christian Democratic and Social Democratic forces, where they exist. But they cannot ignore their old allies on the far right, the so-called "nationalist" movements which, in their virulent anticommunism, allied themselves with Nazi occupation forces during World War II and participated in the slaughter of Jews. These fascists, after all, performed all kinds of tasks for the Agency after the war, and already, in some countries, they have revived racist feelings against Jews and Gypsies.

Of course, the goal of U.S. policy in Eastern Europe is, as always, anticommunism. In Bulgaria and Romania, where ex-communists (but still socialists) have retained power through elections, the task will be quite different from the other

countries where communist parties have dramatically declined in strength. Propaganda to discredit the communist experience and continued socialist rule, together with the building of anticommunist institutions, will be constant in the 1990s. So will electoral support for chosen political parties.

On my way home from the television studio I reflected on the Eastern Europeans' benign attitudes toward the United States and the CIA. But then I thought: What else could anyone expect? These people are, after all, the ultimate beneficiaries of more than forty years of U.S.-sponsored anti-communism. I wondered what their feelings toward the capitalist world will be when their countries become fully mired in the Mexico-Brazil-Argentina style of indebtedness, austerity, recession, poverty, unemployment, and dependence.

Balance of Terror

by Boris Badinov

Boris Badinov is the pseudonym of a journalist and researcher watching the developments in Eastern Europe.

During the past year the KGB and other Eastern European intelligence agencies have been hammered by setbacks and defections. Though you'll never hear it from the CIA, the fact is the intelligence crisis in the socialist countries creates complex new dangers for both East and West.

Some measure of the present dissension inside Soviet intelligence can be seen in the controversy triggered by a rebellious, retired KGB Major General, Oleg Kalugin. Kalugin's public activities demonstrate that the KGB is politically split, and that the institution's power over the Soviet press and over its own officers has drastically declined. Kalugin asserted in recent issues of *Komsomolskaya Pravda* and *Mezhdunarodnaya Zhizn*—published by the official Communist youth organization and the Party's Central Committee, respectively—that twenty senior KGB officers have defected to the West since 1980. This has led, he contended, to the "transfer and sale to the West of the majority of secrets of Soviet intelligence, [and]...the complete collapse of a huge number of spy networks."¹ Kalugin is in a position to know; he was formerly a senior officer, and perhaps the director, of Soviet foreign counterintelligence.²

Kalugin went on to contend that the KGB today maintains a pervasive presence in Soviet life, tapping telephones, in-

timidating legislators, and infiltrating most political organizations. He claimed that other KGB officers secretly share his disdain for the agency, and he called for the Soviet equivalent of a congressional investigation of his old organization. Significantly, Kalugin has not at this writing been arrested or silenced, and remains active on the Moscow political scene. The ex-KGB Major General has emerged as a leader of the "Democratic Platform," the western-oriented reform movement in the U.S.S.R.³

Shortly after Kalugin's exposé, the KGB's present director, Vladimir Kryuchkov, denounced Kalugin in *Izvestia* (also published by the Communist Party Central Committee), rejected his criticisms, and stripped him of his pension and medals. In the process, KGB chief Kryuchkov laid out his own version of events, stressing a list of KGB counterintelligence successes against western spies and people he described as domestic political extremists.⁴ Kryuchkov was appointed by Gorbachev and appears to enjoy Gorbachev's support.

The reason that this is of more than passing interest is that the stability of nuclear weapons and other armed forces in the world today is based upon a balance of forces—not the hegemony of any single power or group of powers. To avoid a nuclear war, each of the nuclear powers is driven to insure that its own weapons are sufficiently secure against attack, that they can be used to retaliate against any enemy, and can deter him from attacking in the first place. To achieve this each country must have confidence that its intelligence system is reasonably sound, and that it can use its nuclear weapons if it chooses to do so. Even in the present period of improved East-West cooperation, if the nuclear "balance of terror" breaks down too rapidly, or becomes massively unstable as old tensions recede, the result could be a nuclear conflict.

Disturbingly, the Soviet Union's intelligence system appears to be in serious disarray today, and may be getting worse. The Soviet leadership's confidence in their nuclear weapons must almost certainly have eroded, considering that a state of near-insurrection exists in parts of the Baltic states, the Ukraine, Azerbaijan, and in other areas where Soviet nuclear and military communications assets are located.⁵ There will be serious reason for concern if the U.S.S.R.'s ability to gather and analyze information completely disintegrates, or if the leaders of the U.S.S.R. lose confidence in the security of their nuclear weapons.

The Kalugin incident must be viewed in terms of the broader crisis that is today severely straining Soviet society, such as the seemingly intractable economic problems and the deeply rooted rivalries among some Soviet nationalities. Add to this picture the demoralizing psychological setback of the failure of the communist parties in the 1989 Eastern European elections, and the KGB's admission of the NKVD's culpability

3. *Ibid.*

4. *Ibid.*

1. Susan Cornwell, "Defectors Betray Most Soviet Intelligence Secrets, KGB Ex-Official Says," *Washington Post*, July 4, 1990, p. A27.

2. David Remnick, "KGB Ex-General Assails Infiltration of Soviet Society," *Washington Post*, June 17, 1990, p. A29.

5. See Thomas Cochran, William Arkin, Robert Norris, and Jeffrey Sands, *Nuclear Weapons Databook, Volume Four: Soviet Nuclear Weapons* (New York: Harper and Row, 1989), pp. 60, 63, 71, 80, 92, 195-200, 394-400, for detailed discussion of design and deployment of Soviet nuclear systems.

in the Katyn massacre and in other Stalin-era repression.⁶

Meanwhile, the intelligence and covert operations networks of at least five former socialist states in Eastern Europe have disintegrated in the past year. In the German Democratic Republic, Czechoslovakia, Hungary, and Poland the former intelligence agencies have been effectively disbanded, at least at the federal level. In some instances, many of their records have passed to new, aggressively anticommunist governments. The intelligence services of at least two of these countries, Germany and Czechoslovakia, have since the 1940s been tightly intertwined with that of the U.S.S.R., and are widely believed in the West to have provided facilities for important human and electronic intelligence collection concerning western military operations.⁷ In Yugoslavia — always a special case in East-West relations — the state and the *Sluzba Bezbednosti* intelligence service are still officially intact. But both institutions have been so deeply split by political, ethnic and religious rivalries that the central government frequently seems to have broken down, and the country may be headed for a division into two or three new states.

These factors strongly suggest that significant setbacks in Soviet intelligence capabilities have taken place in the last year, perhaps the most serious erosion of such facilities since the Nazi invasion of the U.S.S.R. in 1941. In Eastern Europe, there is a clear crisis of morale among veterans of the old governments. It is reasonable to suspect that this has to a certain degree filtered into the U.S.S.R. as well. Historically, setbacks and demoralization of this type have often led to a jump in the number of defections, and that seems to have been the case in 1989 and 1990. Indirect evidence for this can be seen in the fact that for the first time in recent memory, CIA spokesmen are beating the drums for an increase in "human intelligence" budgets, which are used primarily for maintenance of new agents-in-place and for the care and feeding of defectors.⁸

U.S. national security circles have for the most part warmly welcomed the unfolding crisis in Eastern Europe, on the theory that any trouble for the Soviets is a boon for the U.S. The fact is, however, that the U.S. has an interest in the stability of the U.S.S.R. and even of the KGB. If Soviet intelligence capabilities continue to break down, the result will almost certainly be greater instability in Soviet behavior during the next global crisis — regardless of how that conflict comes to pass — and that means increased danger and still more perilous U.S. behavior as well. ●

6. In early 1943, the Nazis discovered a mass grave of almost 5,000 Polish nationalist military officers buried at a former Soviet security police outpost in the Katyn woods, which was at that time in the Nazi-occupied zone of the U.S.S.R. German reports blamed the atrocity on the Soviet NKVD, the predecessor agency of the modern KGB. The Soviet government vehemently denied the charge and blamed the massacre on the Nazis. In April 1990, the Soviet news agency TASS reported that a Soviet-Polish historical commission created by Mikhail Gorbachev and Polish Premier Jaruzelski concluded the Katyn massacre had in fact been "one of the crimes of Stalinism."

7. Jeffrey Richelson, *Sword and Shield: Soviet Intelligence and Security Apparatus* (Cambridge: Ballinger, 1986), pp. 209-10; Glenn Frankel, "Spy Agency Reportedly Being Closed," *Washington Post*, March 13, 1990, p. A22; Desmond Ball, *Soviet Signals Intelligence. Canberra Papers on Strategy and Defense*, No. 47 (Australia: Australian National University, 1989).

8. George Carver, "Intelligence in the Age of Glasnost," *Foreign Affairs*, Summer 1990, pp. 147-66.



Credit: Associated Press

Retired KGB Major General Oleg Kalugin.

The Real Task of the CIA Remains Covert Action

by Ken Lawrence

Ken Lawrence has been writing for CAIB for more than 10 years. He has been researching and speaking on Western intelligence for 20 years. He works with anti-CIA organizations on campuses across the U.S.

The Central Intelligence Agency's mission hasn't changed, but its public relations people have a bit of a problem now that the Soviet threat has vanished. For a time their inept fumbling for a new *raison d'être* was amusing.

But the PR people at Langley have been rescued from this comic script by a *diabolus ex machina* in the person of Saddam Hussein, who threatens a commodity dear to our spymaster president. So now the lads up the Potomac can relax and get back to cloak and daggering as usual. Riding on Saddam's coattail is the reserve threat, just in case peace should break out unexpectedly and spoil everything — there is always terrorism.

The real task of the CIA remains covert action, defined by one of its foremost practitioners, Richard M. Bissell Jr.,¹ as

1. A former economics professor at Yale and MIT, Bissell joined the CIA in 1954. He was Deputy Director for Plans (head of clandestine services) from 1958 to 1962, but was fired by President John F. Kennedy after the Bay of Pigs fiasco.

"attempting to influence the internal affairs of other nations — sometimes called 'intervention' — by covert means." Bissell was speaking at a secret meeting of the Council on Foreign Relations (CFR), on January 8, 1968.²

Even that long ago, Bissell told the audience of bankers and businessmen that the CIA's priorities had shifted "toward targets in the underdeveloped world," notwithstanding the anti-Soviet alibi. These are the elements of covert action listed by Bissell:

1. political advice and counsel;
2. subsidies to an individual;
3. financial support and "technical assistance" to political parties;
4. support of private organizations, including labor unions, business firms, cooperatives, etc.;
5. covert propaganda;
6. "private" training of individuals and exchange of persons;
7. economic operations;
8. paramilitary or political action operations designed to overthrow or to support a regime.

Bissell's report to the CFR remains to this day the most authoritative description of the CIA's covert-action strategy ever made public.³

All indications suggest that business is as usual for the CIA in the Third World. The inability of congressional liberals even to reduce the appropriation for Jonas Savimbi's UNITA counterrevolutionary guerrilla movement in Angola is merely the latest evidence. If they succeed in trimming covert support to the Khmer Rouge in Indochina and the Afghan *mujahideen* in Pakistan, it will only be because the former have been all too successful, and the latter too corrupt and inept.

As conflict escalates in Arabia, we should recall Henry Kissinger's 1972 scheme to arm Iraqi Kurds (via the Shah of Iran) and urge them to war against the Ba'ath regime. Kissinger's plan aborted when the Shah unexpectedly made peace with Iraq. Despite assurances of U.S. backing until victory the Kurds were abruptly cut off "three years, thousands of deaths, and \$16 million later." When Kissinger was asked how he could justify breaking his pledge to the Kurds, he replied, "Covert action should not be confused with missionary work."⁴

With George Bush at the helm, covert action is in no danger of being confused with missionary work. Does that mean no changes are in store? Not at all. In fact, it is quite likely that significant adjustments have already been made in allocating

resources, with the main portion once again directed to the developed world, as was true at the CIA's birth.

Vast new horizons have been opened to U.S. capital in Central and Eastern Europe, and in the Soviet Union itself. The new governments in those countries are friendly to the United States, but, as Richard Bissell pointed out, not all covert action is hostile. "Most operations in Western Europe have been 'benign,' though involving the gravest improprieties, and in some cases clearly illegal action. (E.g., covert support of political parties.)"⁵

No doubt clandestine support of political parties, unions, and other organizations in the U.S.S.R. and the formerly socialist countries has been part of the CIA's assignment for the past decade or more, and continues. But today, media operations are the most important — extending the reach of the "Mighty Wurlitzer," as the late Frank G. Wisner, Bissell's predecessor, called the CIA's worldwide propaganda and disinformation network. In the days when Wisner headed the CIA's clandestine service, called the Directorate of Plans, media and propaganda operations were probably "the largest single category of covert action projects undertaken by the CIA." Axel Springer, the rightwing press magnate in West Germany, received about \$7 million in secret CIA funds to get his start in the 1950s. From then until his death in 1985, Springer headed the largest publishing trust in Western Europe.

The survival of Radio Free Europe and Radio Liberty proved that the system works best when as little as necessary is done covertly. Both were secretly created by the CIA, and were given direct congressional appropriations after their cover was blown.

Today, a similar media project is under way in Eastern Europe, but the U.S. funding is reasonably public, if not widely known.

The goal was originally projected by Secretary of State James A. Baker III in a speech last February at Charles University in Prague: "...to support cooperative development of commercial and non-profit radio and television and free press in Czechoslovakia and the rest of Central and Eastern Europe." Initial funding for these projects was channeled through the United States Information Agency, which once provided cover for many CIA operatives in foreign countries, and through the National Endowment for Democracy (NED), which has added a gloss of respectability to many of the CIA's dirty adventures. Last March NED was called upon to fund Kanal X in Leipzig, East Germany, a community television station "created with West German technical expertise, East German enthusiasm, and American journalistic experience." Its funding proposal noted the existence, at that time, of similar projects in Czechoslovakia, Hungary, Poland, and Lithuania, U.S.S.R. The proposal called Kanal X "an experiment with political, legal, and cultural ramifications that far outdistance the broadcast range of its transmitter."

The seed money for Kanal X came from an unnamed U.S. source, plus others in West Germany and Japan. The planners

2. The report of the Council on Foreign Relations meeting, *Intelligence and Foreign Policy*, was captured by anti-war protesters at Harvard University's Center for International Studies in 1971, and published by Africa Research Group.

3. *Intelligence and Foreign Policy*, Council on Foreign Relations (CFR), 1968, a secret report, was published in a 1971 pamphlet, now long out of print, *The CIA's Global Strategy*, with an introduction and analysis by Africa Research Group. The text of the secret CFR report, but without the useful analysis, is widely available in the appendix to *The CIA and the Cult of Intelligence*, Victor Marchetti and John Marks (New York: Knopf and Dell Publishers, 1974, 1980).

4. *CIA: The Pike Report*, p. 197; William Safire, *New York Times*, February 12, 1976; William Blum, *The CIA: A Forgotten History* (London: Zed Books, 1986).

5. *Intelligence and Foreign Policy*, op. cit., n. 2, p. 15.

aim, after building similar stations throughout Eastern Europe, is to establish one in Moscow. But the outstanding question that has dogged all the recent developments in Europe is whether Trilateralism can continue to be the operational framework for world imperialism, or whether the Persian Gulf crisis and the opening of Eastern Europe to Western capital will unleash a new inter-imperialist rivalry. The strain is already showing, as Germany and Japan resist the Bush administration's invoice for their supposed share of the Gulf war expenses.

This is precisely where the CIA reenters the picture with a new European mission, possibly to be duplicated in the Far East as well. The allied powers are no longer prostrate. In many respects their economies are more robust than ours. The CIA's activities in the new Europe may not be so "benign," to use Bissell's term, as their 1950s counterparts — especially the media operations.

Already the Bush administration has created a new agency, the International Media Fund, headed by former *U.S. News & World Report* editor and publisher Marvin Stone. The Fund will take over from the USIA and NED in administering the public side of its Eastern European media operations. If George Bush now doffs his Trilateral hat and dons his spymaster cloak, the western alliance, already strained by the jingoism of U.S. congressional liberals, could split asunder.

Pessimistic though that prospect may seem to capitalists still toasting their worldwide triumph over socialism, the CIA's new mission is to prepare for exactly such an eventuality. That's in addition to continuing the secret war against socialism that its propaganda says has already been won. ●

The Loosening of Political Barriers

by Melvin Beck

Melvin Beck spent 27 years studying the Soviets, in the National Security Agency and in the CIA. He has written the book, Secret Contenders: the Myth of Cold War Counterintelligence (New York: Sheridan Square Press, 1984).

At this juncture of the loosening of political barriers between the United States and the Soviet Union, it is both premature and euphoric to proclaim that the Cold War is dead. What has "died" temporarily is the intensity of the ideological propaganda that has marked the stand-off of the rival superpowers since World War II.

Let it be said that the mere fact of a political thaw in the Cold War offers not the slightest reason for an intelligence organization to alter its structure or mission, or its established methods for conducting espionage, counterintelligence or

covert action. Nor can it be construed that simply because nations continue to be ideological partners — for instance, the United States and Israel — they would refrain from spying on one another, i.e., the Jonathan Pollard case.

There are circumstances, however, that are capable of bringing about a sea change in the foreign intelligence norms of the Cold War. Such occurred with the separation of the East European satellite nations from the Soviet Union. It is no secret that there existed in the First Chief Directorate of the KGB an office of liaison with the intelligence services of the satellite nations. It was a hands-on liaison by the Soviets, with KGB intelligence officers serving as in-place advisers to satellite intelligence officers engaged in running foreign intelligence operations, recruiting agent assets in foreign countries, and performing in-country operations against foreign diplomatic installations.

A generation of East European foreign intelligence officers received their training in the Soviet Union at academies of both the KGB and the GRU, the latter being clearly superior with respect to strategic military and scientific intelligence collection. It is a certainty that satellite intelligence services have been maneuvered by the Soviets to work on Cold War targets, that the fruits of their labor have been incorporated in the files of the KGB and the GRU, and that stay-behind satellite intelligence officers will have been recruited by the Soviets.

For these reasons I believe the satellite countries will find themselves greatly restricted when forming secret organizations capable of mounting productive foreign-targeted operations. The rebuilding of their internal state security apparatus, based upon a changed and demanding set of domestic obstructionists, dissidents and Old Guard police officials, is going to be frustrating. The situation of East Germany presents a unique problem for the West Germans, namely, that of incorporating former state security and intelligence employees of East Germany within an enlarged Germany. My guess is that West German intelligence officials will initially treat East German intelligence employees warily and devote a long period of time to debriefing them on major targets, including West Germany itself and the partners to the Cold War, the Soviet Union and the United States.

Finally, given the sense of victory that engulfed the upper echelon of U.S. and western governments as the Soviet government changed its Cold War posture, and given the urge to help satellite countries along the road to "democracy and freedom," it would seem that the Pentagon and the CIA would send warnings of hesitation and disbelief to the U.S. government. These two organizations have the most to lose if the Cold War fades away. The Pentagon realizes that once the "communist threat" diminishes, so too will public support of the Pentagon's costly race for weapons supremacy and military nuclear and space superiority. The CIA's analytic and intelligence-processing components will continue to function at optimum levels, but its action arm for clandestine espionage, counterintelligence, and covert action will shrivel only to the degree that the rival superpowers come to share similar strategic aims on a world basis. ●

The Secret Treaty of Fort Hunt

by Carl Oglesby

William Shirer closed his 1960 masterpiece, *The Rise and Fall of the Third Reich*, with the judgment that the Nazi regime "had passed into history,"¹ but we cannot be so confident today. On the contrary, the evidence as of 1990 is that World War II did not end as Shirer believed it did, that Nazism did not surrender unconditionally and disappear, that indeed it finessed a limited but crucial victory over the Allies, a victory no less significant for having been kept a secret from all but the few Americans who were directly involved.

The Odessa and its Mission

Hitler continued to rant of victory, but after Germany's massive defeat in the battle of Stalingrad in mid-January 1943, the realists of the German General Staff (OKW) were all agreed that their game was lost. Defeat at Stalingrad meant, at a minimum, that Germany could not win the war in the East that year. This in turn meant that the Nazis would have to keep the great preponderance of their military forces tied down on the eastern front and could not redeploy them to the West, where the Anglo-American invasion of Italy would occur that summer. Apparently inspired by the Soviet victory, President Franklin Delano Roosevelt and Prime Minister Winston Churchill announced at Casablanca, on January 24, 1943, their demand for Germany's unconditional surrender and the complete de-Nazification of Europe.²

Within the German general staff two competing groups formed around the question of what to do: one led by Heinrich Himmler, the other by Martin Bormann.³

Himmler was chief of the SS (*Schutzstaffel*, "protective echelon"), the blackshirted core of the Nazi party that emerged as Hitler's bodyguard in the late 1920s and grew into the most powerful of the Nazi political institutions. After the failure of the attempted military coup of July 20, 1944, which wounded but did not kill Hitler, the SS seized all power and imposed a furious blood purge of the armed services in which

some seven thousand were arrested and nearly five thousand executed.⁴ The SS was at that point the only organ of the Nazi state.

Himmler's plan for dealing with the grim situation facing Nazism found its premise in Hitler's belief that the alliance between "the ultra-capitalists" of the U.S. and "the ultra-Marxists" of the Soviet Union was politically unstable. "Even now they are at loggerheads," said Hitler. "If we can now deliver a few more blows, this artificially bolstered common front may suddenly collapse with a gigantic clap of thunder."⁵ Himmler believed that this collapse would occur and that the U.S. would then consider the formation of a new anti-Soviet alliance with Nazi Germany. The Nazis would then negotiate "a separate peace" with the United States, separate from any peace with the U.S.S.R., with which Germany would remain at war, now joined against the Soviets by the United States.

But Martin Bormann, who was even more powerful than Himmler, did not accept the premise of the separate-peace idea. Bormann was an intimate of Hitler's, the deputy fuhrer and the head of the Nazi Party, thus superior to Himmler in rank. Bormann wielded additional power as Hitler's link to the industrial and financial cartels that ran the Nazi economy and was particularly close to Hermann Schmitz, chief executive of I.G. Farben, the giant chemical firm that was Nazi Germany's greatest industrial power.

With the support of Schmitz, Bormann rejected Himmler's separate-peace strategy on the ground that it was far too optimistic.⁶ The Allied military advantage was too great, Bormann believed, for Roosevelt to be talked into a separate peace. Roosevelt, after all, had taken the lead in proclaiming the Allies' demand for Germany's unconditional surrender and total de-Nazification. Bormann reasoned, rather, that the Nazis' best hope of surviving military defeat lay within their own resources, chief of which was the cohesion of tens of thousands of SS men for whom the prospect of surrender could offer only the gallows.

Bormann and Schmitz developed a more aggressive, self-contained approach to the problem of the looming military defeat, the central concept of which was that large numbers of Nazis would have to leave Europe and, at least for a time, find places in the world in which to recover their strength. There were several possibilities in Latin America, most notably Argentina and Paraguay; South Africa, Egypt, and In-

Carl Oglesby is the author of several books, notably *The Yankee and Cowboy War*. He has published a variety of articles on political themes. In 1965 he was the President of Students for a Democratic Society. He is the director of The Institute for Continuing de-Nazification. For information on the Institute write to: 294 Harvard St., #3, Cambridge, MA 02139.

1. William Shirer, *The Rise and Fall of the Third Reich* (New York: Simon and Schuster, 1960), p. 1140.

2. *Ibid.*, p. 1033 fn. Enunciation of this policy surprised and upset some U.S. military leaders, who feared it would prolong the war. See, for example, William R. Corson (USMC ret.), *The Armies of Ignorance: The Rise of the American Intelligence Empire* (New York: Dial Press, 1977), pp. 8-10.

3. William Stevenson, *The Bormann Brotherhood: A New Investigation of the Escape and Survival of Nazi War Criminals* (New York: Harcourt Brace Jovanovich, 1973).

4. *Op. cit.*, n. 1, p. 1072.

5. *Ibid.*, pp. 1091-92.

6. This discussion of Bormann's strategy is based mainly on Glenn B. Infield, *Skorzeny: Hitler's Commando* (New York: St. Martin's, Press 1981); and *op. cit.*, n. 3.

donesia were also attractive rear areas in which to retreat.⁷

After the German defeat in the battle of Normandy in June 1944, Bormann took the first external steps toward implementing concrete plans for the Nazis' great escape.

An enormous amount of Nazi treasure had to be moved out of Europe and made safe. This treasure was apparently divided into several caches, of which the one at the Reichsbank in Berlin included almost three tons of gold (much of it the so-called tooth-gold from the slaughter camps) as well as silver, platinum, tens of thousands of carats of precious stones, and perhaps a billion dollars in various currencies.⁸

There were industrial assets to be expatriated, including large tonnages of specialty steel and certain industrial machinery as well as blueprints critical to the domination of certain areas of manufacturing.

Key Nazi companies needed to be relicensed outside Germany in order to escape the reach of war-reparations claims.

And tens of thousands of Nazi war criminals, almost all of them members of the SS, needed help to escape Germany and safely regroup in foreign colonies capable of providing security and livelihoods.

For help with the first three of these tasks, Bormann convened a secret meeting of key German industrialists on August 10, 1944, at the Hotel Maison Rouge in Strasbourg.⁹ One part of the minutes of this meeting states:

The [Nazi] Party is ready to supply large amounts of money to those industrialists who contribute to the post-war organization abroad. In return, the Party demands all financial reserves which have already been transferred abroad or may later be transferred, so that after the defeat a strong new Reich can be built.¹⁰

The Nazi expert in this area was Hitler's one-time financial genius and Minister of the Economy, Dr. Hjalmar Horace Greeley Schacht, available to Bormann even though he was in prison on suspicion of involvement in the anti-Hitler coup of 1944. According to a U.S. Treasury Department report of 1945, at least 750 enterprises financed by the Nazi Party had been set up outside Germany by the end of the war. These

The Odessa...has remained active as a shadowy presence since the war and may indeed constitute Nazism's most notable organizational achievement.

firms were capable of generating an annual income of approximately \$30 million, all of it available to Nazi causes.¹¹ It was Schacht's ability to finesse the legalities of licensing and ownership that brought this situation about.¹²

Organizing the physical removal of the Nazis' material assets and the escape of SS personnel were the tasks of the hulking Otto Skorzeny, simultaneously an officer of the SS, the Gestapo, and the Waffen SS as well as Hitler's "favorite commando."¹³ Skorzeny worked closely with Bormann and Schacht in transporting the Nazi assets to safety outside Europe and in creating a network of SS escape routes ("rat lines") that led from all over

Germany to the Bavarian city of Memmingen, then to Rome, then by sea to a number of Nazi retreat colonies set up in the global south.

The international organization created to accommodate Bormann's plans is most often called "The Odessa," a German acronym for "Organization of Veterans of the SS." It has remained active as a shadowy presence since the war and may indeed constitute Nazism's most notable organizational achievement. But we must understand that none of Bormann's, Skorzeny's, and Schacht's well-laid plans would have stood the least chance of succeeding had it not been for a final component of their organization, one not usually associated with the Odessa at all but very possibly the linchpin of the entire project.

Enter Gehlen

This final element of the Odessa was the so-called Gehlen Organization (the Org), the Nazi intelligence system that sold itself to the U.S. at the end of the war. It was by far the most audacious, most critical, and most essential part of the entire Odessa undertaking. The literature on the Odessa and that on the Gehlen Organization, however, are two different things. No writer in the field of Nazi studies has yet explicitly associated the two, despite the fact that General Reinhard Gehlen was tied politically as well as personally with Skorzeny and Schacht. Moreover Gehlen's fabled post-war organization was in large part staffed by SS Nazis who are positively identified with the Odessa, men such as the infamous Franz Alfred Six and Emil Augsburg of the Wannsee Institute. An even more compelling reason for associating Gehlen with the Odessa is that, without his organization as a screen, the various

7. My summary of the Nazi survival plan is based on *op. cit.*, n. 3; Infield, *op. cit.*, n. 6; Ladislav Farago, *Aftermath: Martin Bormann and the Fourth Reich* (New York: Simon and Schuster, 1974); Charles Higham, *American Swastika* (New York: Doubleday, 1985); Brian Bunting, *The Rise of the South African Reich* (New York: Penguin, 1964); and Simon Wiesenthal, *The Murderers Among Us* (New York: McGraw-Hill, 1967). On "neo-Nazi" colonies in the Near and Middle East and South America, see Wiesenthal, pp. 78-95.

8. Infield, *op. cit.*, n. 6, p. 192.

9. *Ibid.*, p. 179; and Wiesenthal, *op. cit.*, n. 7, pp. 87-88.

10. Wiesenthal, *op. cit.*, n. 7, p. 88. Also quoted in Infield, *op. cit.*, n. 6, p. 183.

11. Infield, *op. cit.*, n. 6, p. 183.

12. Schacht, who had lost favor with Hitler in 1938, was acquitted of war-crimes charges by the Nuremberg Tribunal. He was later convicted of being a "chief Nazi offender" by the German de-Nazification court at Baden-Wurttemberg, but his conviction was overturned and his eight-year sentence lifted on September 2, 1948. Infield, *op. cit.*, n. 6.

13. Infield, *op. cit.*, n. 6, p. 16.

Odessa projects would have been directly exposed to American intelligence. If the Counter Intelligence Corps (CIC) and the Office of Strategic Services (OSS) had not been neutralized by the Gehlen ploy, the Odessa's great escape scheme would have been discovered and broken up.

DECLASSIFIED
By NND 726122
Date 1/7

SECRET

BASIC PERSONNEL RECORD
(Alien Enemy or Prisoner of War)

F. P. C. *

Reference *

Inventory of Personal Effects Taken From Internee

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____

The above is correct: Reinhard Gehlen
(Signature of Internee)

(Date and place where processed (Army enclosure, naval station, or other place))

RIGHT HAND

1. Thumb _____ 2. Index finger _____ 3. Middle finger _____ 4. Ring finger _____ 5. Little finger _____

1. _____ 2. _____ 3. _____ 4. _____ 5. _____

GEN-MAJ REINHARD GEHLEN
3WG-1300

GEN-MAJ REINHARD GEHLEN
3WG-1300

Credit: U.S. Army

Alien Enemy or Prisoner of War document which Reinhard Gehlen signed on surrendering himself to U.S. troops in 1945.

At 43, Brigadier General Reinhard Gehlen was a stiff, unprepossessing man of five foot eight and a half inches and 128 pounds when he presented himself for surrender at the U.S. command center in Fischhausen. But there was nothing small about his ego. "I am head of the section Foreign Armies East in German Army Headquarters," he announced to the GI at the desk. "I have information to give of the highest importance to your government." The GI was not impressed, however, and Gehlen spent weeks stewing in a POW compound before an evident Soviet eagerness to find him finally aroused the Americans' attention.¹⁴

Gehlen became chief of the Third Reich's Foreign Armies East (FHO), on April 1, 1942. He was thus responsible for Germany's military intelligence operations throughout East Europe and the Soviet Union. His FHO was connected in this role with a number of secret fascist organizations in the countries to Germany's east. These included Stepan Bandera's "B Faction" of the Organization of Ukrainian Nationalists (OUN/B),¹⁵ Romania's Iron Guard,¹⁶ the Ustachis of Yugoslavia,¹⁷ the Vanagis of Latvia¹⁸ and, after the summer of 1942, "Vlassov's Army,"¹⁹ the band of defectors

from Soviet Communism marching behind former Red hero General Andrey Vlassov. Later on in the war, Gehlen placed one of his top men in control of Foreign Armies West, which broadened his power; and then after Admiral Wilhelm Canaris was purged and his *Abwehr* intelligence service cannibalized by the SS, Gehlen became in effect Nazi Germany's over-all top intelligence official.²⁰

The Great Escape

In December 1943 at the latest Gehlen reached the same conclusion about the war that had come upon Bormann, Schacht, Skorzeny, and Himmler. Germany was losing and could do nothing about it. Several months later, Gehlen says, he began quietly discussing the impending defeat with a few close associates. As he writes in his memoir: "Early in October 1944 I told my more intimate colleagues that I considered the war was lost and we must begin thinking of the future. We had to think ahead and plan for the approaching catastrophe."²¹

Gehlen's strategic response to *Götterdämmerung* was a kind of fusion of Himmler's philosophy with Bormann's more pessimistic Odessa line: "My view," he writes, "was that there would be a place even for Germany in a Europe rearmed for defense against Communism. Therefore we must set our sights on the Western powers, and give ourselves two objectives: to help defend against Communist expansion and to recover and reunify Germany's lost territories."²²

Just as Bormann, Skorzeny, and Schacht were beginning to execute their escape plans, so too was Gehlen. "Setting his sights on the Western powers," and in particular on the United States, Gehlen pursued the following strategic rationale: When the alliance between the United States and the U.S.S.R. collapsed, as it was bound to do upon Germany's defeat, the United States would discover a piercing need for a top-quality intelligence service in Eastern Europe and inside the Soviet Union. It did not have such a service of its own, and the pressures of the erupting East-West conflict would not give it time to develop one from scratch. Let the United States therefore leave the assets assembled by Gehlen and the FHO intact. Let the United States not break up Gehlen's relationship with East European fascist groups. Let the United States pick up Gehlen's organization and put it to work for the West, the better to prevail in its coming struggle against a Soviet Union soon to become its ex-ally.

Gehlen brought his top staff people into the planning for this amazing proposal. Together, during the last months of the war, while Hitler was first raging at Gehlen for his "defeatist" intelligence reports, then promoting him to the rank of brigadier general, then at last firing him altogether (but promoting into the FHO directorship one of Gehlen's co-conspirators), Gehlen and his staff carefully prepared their huge files on East Europe and the Soviet Union and moved them south into the Bavarian Alps and buried them. At the same time, Gehlen began building the ranks of the FHO intelligence

14. Heinz Hohne and Hermann Zolling, *The General was a Spy* (New York: Richard Barry, Coward, McCann & Geoghegan, 1972), p. 54; and E.H. Cookridge, *Gehlen, Spy of the Century* (New York: Random House, 1971), p. 120.

15. Christopher Simpson, *Blowback* (New York: Weidenfeld and Nicolson, 1988), p. 160 ff. Simpson's is the best book on the Gehlen matter so far published.

16. *Ibid.*, pp. 254-55.

17. *Ibid.*, pp. 180, 193.

18. *Ibid.*, pp. 10, 207-08.

19. *Ibid.*, pp. 18-22. Also see Hohne and Zolling, *op. cit.*, n. 14, pp. 35-37; Cookridge, *op. cit.*, n. 14, pp. 56-58.

20. Cookridge, *op. cit.*, n. 14, p. 79.

21. Reinhard Gehlen, *The Service* (New York: World, 1972), p. 99.

22. *Ibid.*, p. 107.

agents. The FHO in fact was the only organization in the whole of the Third Reich that was actually recruiting new members as the war was winding down.²³ SS men who knew they would be in trouble when the Allied forces arrived now came flocking to the FHO, knowing that it was the most secure place for them to be when the war finally ended.²⁴

When Gehlen's plans were complete and his preparations all concluded, he divided his top staff into three separate groups and moved them (as Skorzeny was doing at the same time) into prearranged positions in Bavaria. Gehlen himself was in place before the German surrender on May 7, hiding comfortably in a well-stocked chalet in a mountain lea called Misery Meadow. Besides Gehlen, there were eight others in the Misery Meadow group, including two wounded men and three young women. For three weeks, maintaining radio contact with the two other groups, Gehlen and his colleagues stayed on the mountain, waiting for the American army to appear in the valley far below. "These days of living in the arms of nature were truly enchanting," he wrote. "We had grown accustomed to the peace, and our ears were attuned to nature's every sound."²⁵

Destruction of the OSS

Gehlen was still communing with nature when William Donovan, chief of the Office of Strategic Services (OSS), arrived in Nuremberg from Washington, dispatched by the new president to assist Supreme Court Justice Robert Jackson. Harry S. Truman had made Jackson the United States's chief prosecutor with the International Military Tribunal (IMT), established to try the Nazis' principal military leaders. Donovan's OSS was to function as an investigative arm of the IMT.

By the last half year of the war if not before, President Roosevelt and Donovan were convinced that the U.S. needed a permanent intelligence service and that this service, like the OSS, should be civilian rather than military. They were convinced too that the OSS should be its foundation. On October 31, 1944, Roosevelt directed Donovan to prepare a memo on how such a service should be organized.²⁶

Donovan consulted on this assignment with his colleague

It is one of the fascinating conjunctions of this story that Donovan should have left for Nuremberg just as Gehlen was coming down from his mountain.

Allen Dulles, a force unto himself as wartime chief of OSS operations in Bern. Dulles advised Donovan to placate the military by proposing that the new agency be placed automatically under military command in time of war.²⁷ Donovan's proposal incorporated this idea,²⁸ but only in order to state all the more

strongly the case for civilian control and for making the OSS the basis of the new organization. As he wrote in his memo to Roosevelt of November 18, 1944, "There are common-sense reasons why you may desire to lay the keel of the ship at once.... We have now [in the OSS] the trained and specialized personnel needed for such a task, and this talent should not be dispersed."²⁹

Donovan proposed establishment of a civilian intelligence service responsible directly to the President and the Secretary of State, the chief mission of which would be to support the President in foreign policy. Except for the civilian Secretaries of War and the Navy, Donovan's plan did not even include a place for military representation on the advisory board, and he was careful to specify that the advisory board would merely advise and not control. The new service was to be all-powerful in its field, being responsible for "coordination of the functions of all intelligence agencies of the Government." The Donovan intelligence service, in other words, would directly and explicitly dominate the Army's G-2 and the Navy's ONI.³⁰

Naturally, therefore, the Donovan plan drew an intense attack from the military. One G-2 officer called it "cumbersome and possibly dangerous."³¹ Another referred to the OSS as "a bunch of faggots."³² Nor was the FBI's J. Edgar Hoover silent. Hoover had fought creation of the OSS perhaps more bitterly than the military and had insisted throughout the war on maintaining an FBI intelligence network in Latin America despite the fact that this was supposed to be OSS turf.³³

Certain elements within Army intelligence were not only opposed to Donovan's plan but were also beginning to formulate their own notions of what a post-war intelligence system should be like.

Roosevelt sent the Joint Chiefs of Staff ultra-secret copies of Donovan's proposal along with Roosevelt's own draft executive order to implement it. On January 1, 1945, the Chiefs formally reported to Roosevelt their extreme dissatisfaction with this scheme and leaked Donovan's memo to four right-wing newspapers, which leapt to the attack with blaring head-

23. Cookridge, *op. cit.*, n. 14, pp. 103, 106.

24. I do not know of an estimate of the size of the Foreign Armies East (FHO) as of the end of the war. Cookridge, *op. cit.*, n. 14, p. 161, says that by 1948, when the Gehlen Organization was probably back up to war-time speed, its key agents "exceeded four thousand." Each agent typically ran a net of about six informants, Cookridge, *op. cit.*, n. 14, p. 167. Thus, the total Gehlen net might have numbered in the range of 20,000 individuals.

25. *Op. cit.*, n. 21, p. 115.

26. Corson, *op. cit.*, n. 2, pp. 6, 20; Anthony Cave Brown, *The Last Hero, Wild Bill Donovan* (N.Y.: Vintage Books, 1982), p. 625; U.S. Senate, "Final Report of the Select Committee to Study Governmental Operations with Respect to Intelligence Activities," Book IV, Supplementary Staff Reports on Foreign and Military Intelligence (known as, *The Church Report*), p. 5.

27. Cookridge, *op. cit.*, n. 14, p. 130.

28. Brown, *op. cit.*, n. 26, p. 626.

29. Cookridge, *op. cit.*, n. 14, p. 131.

30. William M. Leary, ed., *The Central Intelligence Agency: History and Documents* (Atlanta: University of Atlanta Press, 1984), pp. 123-25; Corson, *op. cit.*, n. 2, pp. 214-17; Brown, *op. cit.*, n. 26, p. 625.

31. Brown, *op. cit.*, n. 26, p. 627.

32. *Ibid.*, p. 170.

33. Thomas Powers, *The Man Who Kept the Secrets: Richard Helms and the CIA* (New York: Pocket Books, 1981), p. 31.

lines accusing FDR and Donovan of conspiring to create "a super Gestapo." This attack put the Donovan plan on hold, and the death of FDR on April 12, 1945 destroyed it.³⁴



Credit: Associated Press

William J. "Wild Bill" Donovan, founder of the Office of Strategic Services (OSS).

In early May 1945, president for less than a month, Truman made the OSS the American component of the investigative arm of the IMT. It is one of the fascinating conjunctions of this story that Donovan should have left for Nuremberg just as Gehlen was coming down from his mountain. It is one of its riper ironies that Donovan would soon resign from Jackson's staff in a disagreement over trying German officers as war criminals, which Donovan objected to but Jackson and Truman supported.³⁵ Had Donovan lent his energies to the trial of Nazis within the German officer corps, he might have confronted the very adversaries who would shortly take his place in the American intelligence system, not only militarizing it, but Nazifying it as well.

Gehlen Makes his Move

Gehlen had been on the mountain for exactly three weeks and the war had been over for almost two weeks when he decided on May 19 that it was time to make contact. He left the three women and the two wounded men at Misery Meadow and with his four aides began the descent to the valley town of Fischhausen on Lake Schliersee.

On the same day Soviet commissioners far to the north at Flensburg demanded that the United States hand over Gehlen as well as his files on the U.S.S.R. This was the first the U.S. command had heard of Gehlen.³⁶

Gehlen and company took their time, staying three days with the parents of one of his aides and communicating by radio with those who had remained at Misery Meadow. On

May 22 Gehlen at last decided the moment was right. He and his aides marched into the Army command center and presented themselves to the desk officer, a Captain John Schwarzwald, to whom Gehlen spoke his prepared speech:

"I am head of the Section Foreign Armies East in German Army headquarters. I have information to give of the highest importance to your government." Schwarzwald had Gehlen and his group jeoped to Miesbach where there was a CIC detachment. There Gehlen once again gave his speech, this time to a Captain Marian Porter: "I have information of the greatest importance for your supreme commander." Porter replied, "So have they all," and shunted him and his cohorts off to the prison camp at Salzburg.

Gehlen's disappointment at this reception was keen and his biographers all say he never forgot it, "lapsing," as one puts it, "into near despair" as he "presented the strange paradox of a spy-master thirsting for recognition by his captors."³⁷

Recognition was inevitable, however, since the CIC was trying to find him. By mid June at the latest, his name was recognized by a G-2 officer, Colonel William H. Quinn, who had Gehlen brought to Augsburg for his first serious interrogation. Quinn was the first American to whom Gehlen presented his proposal and told of his staff dispersed at several camps in the mountains as well as the precious buried archives of the FHO. Unlike Captain Porter, Colonel Quinn was impressed. He promptly passed Gehlen up the command chain to General Edwin L. Sibert.

Sibert later recalled, "I had a most excellent impression of him at once." Gehlen immediately began educating him as to "the actual aims of the Soviet Union and its display of military might." As Sibert told a journalist years later, "With her present armed forces potential, he [Gehlen] continued, Russia could risk war with the West and the aim of such a war would be the occupation of West Germany."³⁸

Acting without orders, Sibert listened to Gehlen for several days before informing Eisenhower's chief of staff, General Walter Bedell Smith.³⁹ Smith and Sibert then continued to develop their relationship with Gehlen secretly, choosing not to burden Eisenhower with knowledge of what they were doing "in order not to compromise him in his relations with the Soviets."⁴⁰ Eisenhower in fact had strictly forbidden U.S. fraternization with Germans.⁴¹

Gehlen was encouraged to resume contact with his FHO comrades who were still at large in Bavaria, releasing them from their vow of silence. Gehlen was sufficiently confident of his American relationships by this time that he dug up his buried files and, in special camps, put his FHO experts to work

37. Cookridge, *op. cit.*, n. 14, p. 120.

38. Hohne and Zolling, *op. cit.*, n. 14, p. 58.

39. As to breaking orders, Gehlen is effusive in his praise of "Sibert's great vision.... I stand in admiration of Sibert as a general who took this bold step—in a situation fraught with political pitfalls—of taking over the intelligence experts of a former enemy for his own country.... The political risk to which Sibert was exposed was very great. Anti-German feeling was running high, and he had created our organization without any authority from Washington and without the knowledge of the War Department." *Op. cit.*, n. 21, p. 123.

40. Hohne and Zolling, *op. cit.*, n. 14, p. 58.

41. *Ibid.*, pp. 58-59.

34. *Ibid.*

35. Brown, *op. cit.*, n. 26, p. 744.

36. This account of Gehlen's surrender is based on Hohne and Zolling, *op. cit.*, n. 14, pp. 52-56; Cookridge, *op. cit.*, n. 14, pp. 118-21; *op. cit.*, n. 3, pp. 89-90; *op. cit.*, n. 15, pp. 41-43; and the BBC documentary, *Superspy: The Story of Reinhard Gehlen*, 1974. There are many trivial discrepancies in these four accounts but they are in perfect agreement as to the main thrust.

preparing detailed reports on the Red Army for his American captors. Well before the end of June he and his comrades were "discharged from prisoner of war status so that we could move around at will."⁴² They were encouraged to form a unit termed a "general staff cell," first within G-2's Historical Research Section, then later in the Seventh Army's Intelligence Center in Wiesbaden, where they worked in private quarters and were treated as VIPs.⁴³

Indeed, a partly declassified CIA document recapitulated this story in the early 1970s, noting that at this time:

Gehlen met with Admiral Karl Doenitz, who had been appointed by Hitler as his successor during the last days of the Third Reich. Gehlen and the Admiral were now in a U.S. Army VIP prison camp in Wiesbaden; Gehlen sought and received approval from Doenitz too!⁴⁴

In other words, the German chain of command was still in effect, and it approved of what Gehlen was doing with the Americans.

Gehlen's biographers are under the impression that it took six weeks for someone in European G-2 to notice and recognize Gehlen in the POW cage, that Sibert did not tell Smith about finding him until the middle of August, and that it was much later still before Sibert and Smith conspired to circumvent Eisenhower and communicate their excitement about Gehlen to someone at the Pentagon presumably associated with the Joint Chiefs of Staff.⁴⁵ But documents released in the 1980s show that this part of Gehlen's story raced along much more quickly. Already on June 29, in fact, the Pentagon had informed Eisenhower's European command that the War Department wanted to see Gehlen in Washington.⁴⁶

It was a fast time. By no later than August 22, one of Gehlen's top associates, Hermann Baun, was forming what would become the intelligence and counterintelligence sections of Gehlen's new organization. Gehlen himself, with retinue, was departing for Washington in General Bedell Smith's DC-3 for high-level talks with American military and intelligence officials. And the whole concept of the deal he was about to offer his conquerors had been approved by a Nazi chain of command that was still functioning despite what the world thought and still does think was the Nazis' uncondition-

al surrender.⁴⁷

Gehlen arrived in Washington on August 24 with six of his top FHO aides and technical experts in tow.⁴⁸ World War II had been over about a week, the war in Europe about three and a half months.

The Secret Treaty of Fort Hunt

As Gehlen and his six men were in route from Germany to Washington, Donovan's OSS troubles became critical. On August 23, Admiral William Leahy, chief of the JCS, the President's national security adviser and a man who despised Donovan, advised Truman to order his budget director Harold Smith to begin a study of the intelligence question.

Stating "this country wanted no Gestapo under any guise or for any reason,"⁴⁹ Truman may not have known that the Gestapo's Odessa heirs were landing in the lap of the Pentagon even as he spoke. Smith in any case responded to Truman's directive by asking Donovan for his OSS demobilization plans.

Now, too late, Donovan tried to fight. The Gehlen party, "Group 6," was checking out its very comfortable accommodations at Fort Hunt at the very moment at which Donovan, writing from a borrowed Washington office, fired back a memo to Smith defending the OSS and its right to live:

Among these assets [of the OSS] was establishment for the first time in our nation's history of a foreign secret intelligence service which reported information as seen through American eyes. As an integral and inseparable

47. As Gehlen was about to leave for the United States, he left a message for Baun with another of his top aides, Gerhard Wessel: "I am to tell you from Gehlen that he has discussed with [Hitler's successor Admiral Karl] Doenitz and [Gehlen's superior and chief of staff General Franz] Halder the question of continuing his work with the Americans. Both were in agreement." Hohne and Zolling, *op. cit.*, n. 14, p. 61.

48. There is variance in the literature concerning how many assistants Gehlen took with him to Washington. John Ranelagh, *The Agency: The Rise and Decline of the CIA* (New York: Simon and Schuster, 1986), p. 92; Cookridge, *op. cit.*, n. 14, p. 125; and *op. cit.*, n. 15, p. 42, say it was three while Hohne and Zolling, *op. cit.*, n. 14, p. 61, say four. A U.S. Army note of August 28, 1945 (a 1986 FOIA release) refers to "the 7 shipped by air last week," and that no doubt is the correct number. Another FOIA release, an unnumbered Military Intelligence Division document dated September 30, 1945, originated at Fort Hunt, labels the Gehlen party as "Group 6" and names seven members: Gehlen, Major Albert Schoeller, Major Horst Hiemenz, Colonel Heinz Herre, Colonel Konrad Stephanus, and two others whose rank is not given, Franz Hinrichs and Herbert Feukner. The number is important for what it says about the nature of Gehlen's trip. Three might be thought of as co-defendants but six constitute a staff. Cookridge, *op. cit.*, n. 14, p. 125, says Gehlen made the trip disguised in the uniform of a one-star American general, his aides disguised as U.S. captains. Hohne and Zolling, *op. cit.*, n. 14, pp. 60-61, inflate the rank to two stars but then call the story spurious. Gehlen's memoir says nothing about it.

49. Corson, *op. cit.*, n. 2, p. 239.

42. *Op. cit.*, n. 21, p. 120.

43. Hohne and Zolling, *op. cit.*, n. 14, p. 58.

44. Undated CIA fragment with head, "Recent Books," apparently published circa 1972, partly declassified and released in 1986 in response to a Freedom of Information (FOIA) suit.

45. Hohne and Zolling, *op. cit.*, n. 14, pp. 56, 58-59.

46. U.S. Army document SHAEF D-95096, September 15, 1946, declassified FOIA release. The routing of this cable through SHAEF HQ raises a question as to whether Eisenhower was really kept in the dark about Gehlen.

part of this service, there is a group of specialists to analyze and evaluate the material for presentation to those who determine national policy.⁵⁰

Much more significant than the question of the adequacy of U.S. intelligence on the Soviet Union, however, was the question of civilian versus military control of the intelligence mission. Germany and England had fought this battle in the 19th century, the military capturing the intelligence role in Germany and the civilians maintaining a position in England. Throughout the summer and fall of 1945, this same battle raged in the U.S. government.⁵¹ The battle for intelligence control was indeed the background for the arrival of Gehlen and his six aides at Fort Hunt, where Gehlen's party was housed and Gehlen himself provided with an NCO butler and several white-jacket orderlies.⁵²

A momentous relationship was established at Fort Hunt, one that had the profoundest effects on the subsequent evolution of United States foreign policy during an exceptionally difficult passage of world history. The period of the Cold War as a whole, and more especially its early, formative years — from Gehlen's coming aboard the American intelligence service until he rejoined the West German republic in 1955 — was laden with the peril of nuclear war. On at least one occasion, in 1948,⁵³ Gehlen almost convinced the United States that the Soviet Union was about to launch a war against the West and that it would be in the U.S. interest to preempt it.

Clearly it is important to know who made and authorized the decisions that led to our national dependency on a network of underground Nazis, yet because the relevant documents are still classified this central part of the Gehlen story still cannot be reconstructed.

From the handful of published books about the Gehlen affair (none of which cite their sources on this point) we can list only seven Americans who were said to be involved with Gehlen at Fort Hunt:

- Admiral William D. Leahy, chief of staff and Truman's national security adviser.
- Allen Dulles, OSS station chief in Bern during the war.
- Sherman Kent, head of OSS Research and Analysis Branch and a Yale historian.
- General George V. Strong, head of Army G-2.
- Major General Alex H. Bolling of G-2.
- Brigadier General John T. Magruder, first head of the Army's Strategic Services Unit, a vulture of OSS.
- Loftus E. Becker, a lawyer associated with G-2 and the Nuremberg war-crimes operation; the CIA's first deputy director.

We do not know if these people were involved as a committee, if they talked with Gehlen and his six aides a lot or a little, separately or all at once, or if they sent their own aides

to work out the details. We do not know how a POW-interrogation was transformed into a bargaining process. Above all, we do not know what kind of communication the U.S. participants in the Fort Hunt-Gehlen talks had with the political authorities to whom they were responsible. Leahy is the only one who had obvious contact with President Truman. But there is nothing in the revealed record to indicate that he ever discussed Gehlen or the Fort Hunt deal with Truman, or took the least trouble to explain to Truman the implications of hiring a Nazi spy network. We have no idea, for that matter, how Leahy himself saw it.

What we do know is the outlines of the Gehlen deal itself, however it was hammered out and however it was or was not ratified by legal, political authority. That is because Gehlen himself laid out its terms in his autobiography, *The Service*. Gehlen says in this work (which has been attacked for its inaccuracies) that the discussions ended with "a 'gentlemen's agreement,'" that the terms of his relationship with the United States were "for a variety of reasons never set down in black and white." He continues, "Such was the element of trust that had been built up between the two sides during this year of intensive personal contact that neither had the slightest hesitation in founding the entire operation on a verbal agreement and a handshake."⁵⁴

According to Gehlen, this agreement consisted of the following six basic points. His language is worth savoring. "I remember the terms of the agreement well," he wrote:

"1. A clandestine German intelligence organization was to be set up, using the existing potential to continue information gathering in the East just as we had been doing before. The basis for this was our common interest in a defense against communism.

"2. This German organization was to work not 'for' or 'under' the Americans, but 'jointly with the Americans.'

"3. The organization would operate exclusively under German leadership, which would receive its directives and assignments from the Americans until a new government was established in Germany.

"4. The organization was to be financed by the Americans with funds which were not to be part of the occupation costs, and in return the organization would supply all its intelligence reports to the Americans." (The Gehlen Organization's first annual budget is said to have been \$3.4 million.⁵⁵)

"5. As soon as a sovereign German government was established, that government should decide whether the organization should continue to function or not, but that

50. *Ibid.*, p. 240.

51. Ranelagh, *op. cit.*, n. 48, p. 102 ff.

52. BBC documentary, *Superspy*, *op. cit.*, n. 36. Corson, in an interview with the author, said the butler and orderlies must have been CIC agents. Still, the detail rankles.

53. Cookridge, *op. cit.*, n. 14, 203; *op. cit.*, n. 15, p. 136.

54. *Op. cit.*, n. 21, p. 121. Hohne and Zolling, *op. cit.*, n. 14, p. 64, say that the details of this "gentlemen's agreement" were put into writing by the CIA in 1949.

55. Hohne and Zolling, *op. cit.*, n. 14, p. 65.

until such time the care and control (later referred to as 'the trusteeship') of the organization would remain in American hands.

"6. Should the organization at any time find itself in a position where the American and German interests diverged, it was accepted that the organization would consider the interests of Germany first."⁵⁶

Gehlen acknowledges that the last point especially might "raise some eyebrows" and make some think that the U.S. side "had gone overboard in making concessions to us." He assures his readers that actually "this point demonstrates better than any other Sibert's great vision: he recognized that for many years to come the interests of the United States and West Germany must run parallel."⁵⁷

Gehlen and his staff left Fort Hunt for Germany on July 1, 1946, having been in the United States almost a year. They were temporarily based at Oberursel then settled into a permanent base in a walled-in, self-contained village at Pullach near Munich. Gehlen set up his headquarters in an estate originally built by Martin Bormann.⁵⁸ There a start-up group of fifty began to turn the "gentlemen's agreement" of Fort Hunt into reality. The first order of business being staff, Gehlen's recruiters were soon circulating among the "unemployed mass" of "former" Nazi SS men, the Odessa constituency, to find more evaluators, couriers and informers.⁵⁹ Gehlen had "solemnly promised in Washington not to employ SS and Gestapo men,"⁶⁰ although it will be noted that Gehlen includes no such provision in his list of terms. There is not the least question that he did recruit such men, supplying them with new names when necessary.

Two of the worst of them were Franz Six and Emil Augsburg. Six was a key Nazi intellectual, and both Six and Augsburg were associated with the Wannsee Institute, the Nazi think tank in Berlin where SS leader Reinhard Heydrich, in January 1942, announced "The Final Solution to the Jewish Question." Both of them had commanded extermination squads roving in East Europe in pursuit of Jews and communists. And both had gone underground with the Odessa when the Third Reich crumbled. Augsburg hid in Italy, then returned in disguise when Gehlen called. Six was actually captured by Allied intelligence, tried at Nuremberg and imprisoned, only to be sprung to work with Augsburg running

Gehlen's networks of East European Nazis.⁶¹

From the edge of total defeat, Gehlen now moved into his vintage years, more powerful, influential and independent than he had been even in the heyday of the Third Reich. Minimally supervised first by the War Department's Strategic Services Unit under Fort Hunt figure Major General John Magruder, and then by the SSU's follow-on organization, the Central Intelligence Group under Rear Admiral Sidney Souers,⁶² the Org grew to dominate the entire West German intelligence service. Through his close ties to Chancellor Konrad Adenauer's chief minister, Hans Globke, Gehlen was able to place his men in positions of control in West Germany's military intel-

ligence and the internal counterintelligence arm. When NATO was established he came to dominate it too. By one estimate "some 70 percent" of the total intelligence take flowing into NATO's military committee and Allied headquarters (SHAPE) on the Soviet Union, the countries of East Europe, the rest of Europe, and indeed the rest of the world was generated at Pullach.⁶³

Not even the establishment of the CIA in 1947 and the official transfer of the Pullach operation into the West German government in July 1955 (when it was retitled the Federal Intelligence Service, BND) lessened the reliance of American intelligence on Gehlen's product.⁶⁴ From the beginning days of the Cold War through the 1970s and beyond, the United States's, West Germany's, and NATO's most positive beliefs about the nature and intentions of the Soviet Union, the Warsaw Pact, and world Communism would be supplied by an international network of utterly unreconstructed SS Nazis whose primary purposes were to cover the escape of the Odessa and make the world safe for Nazism.

The Cost of the Fort Hunt Treaty

Gehlen's story has many branchings beyond this point. These include several spy scandals that exposed his organization as dangerously vulnerable to Soviet penetration. They include the pitiful spectacle of U.S. CIC agents pursuing Nazi fugitives on war-crimes charges only to see them summarily pardoned and hired by Gehlen. They include the dark saga of Klaus Barbie, the SS "Butcher of Lyon" who worked with the Gehlen Organization and boasted of being a member of the Odessa. They include aspects of Operation Paperclip, in which rightwing forces in the U.S. military once again savaged the concept of de-Nazification in order to smuggle scores of SS rocket scientists into the United States. They include con-

**By one estimate "some 70 percent"
of the total intelligence take...on
the Soviet Union...was generated
at Pullach.**

56. *Op. cit.*, n. 21, p. 122.

57. *Ibid.*, pp. 122-23.

58. Hohne and Zolling, *op. cit.*, n. 14, p. 119; Cookridge, *op. cit.*, n. 14, p.

155. BBC documentary, *Superspy*, *op. cit.*, n. 36.

59. Hohne and Zolling, *op. cit.*, n. 14, p. 67.

60. Cookridge, *op. cit.*, n. 14, p. 144.

61. *Op. cit.*, n. 15, pp. 17, 46-47, 166, 225; Cookridge, *op. cit.*, n. 14, pp. 242-43.

62. Hohne and Zolling, *op. cit.*, n. 14, p. 133.

63. Cookridge, *op. cit.*, n. 14, p. 218.

64. *Ibid.*, p. 128.

tinuation of the civilian-vs-military conflict over the institution of secret intelligence and the question of politically motivated covert action within the domestic interior. They include above all the story of the enormous victory of the Odessa in planting powerful Nazi colonies around the world—in such countries as South Africa, where the enactment of apartheid laws followed; or several countries in Latin America that then became breeding grounds for the Death Squads of the current day, and indeed even in the United States where it now appears that thousands of wanted Nazis were able to escape justice and grow old in peace.

In making the Gehlen deal, the United States did not acquire for itself an intelligence service. That is not what the Gehlen group was or was trying to be. The military intelligence historian Colonel William Corson put it most succinctly, "Gehlen's organization was designed to protect the Odessa Nazis. It amounts to an exceptionally well-orchestrated diversion."⁶⁵ The only intelligence provided by the Gehlen net to the United States was intelligence selected specifically to worsen East-West tensions and increase the possibility of military conflict between the U.S. and the Soviet Union. It was exactly as the rightwing papers had warned in 1945 when they were aroused by Donovan's proposal for a permanent intelligence corps, warning their readers that a "super spy unit" could "determine American foreign policy by weeding out, withholding or coloring information gathered at his direction."⁶⁶ It was exactly as Truman had warned when he demobilized the OSS with the observation that the U.S. had no interest in "Gestapo-like measures." The fact that this lively concern for a police-state apparatus should have been focused on the relatively innocuous OSS while at the same time the red carpet was being rolled out for Gehlen's gang of SS men must surely count as one of the supreme wrenching ironies of the modern period.

Another dimension of the cost of the Gehlen deal is the stress it induced within American institutions, weakening them incalculably. The Gehlen Organization was the antithesis of the Allied cause, its sinister emergence on the scene of post-war Europe the very opposite of what the western democracies thought they had been fighting for.

Perhaps at least we can say that, despite Gehlen and despite the military, the United States did after all finally wind up with a civilian intelligence service. The National Security Act of 1947 did embody Donovan's central point in creating a CIA outside the military. But in fact the Gehlen Org substantially preempted the CIA's civilian character before it was ever born. The CIA was born to be rocked in Gehlen's cradle. It remained dependent on the Org even when the Org turned into the BND. Thus, whatever the CIA was from the standpoint of the law, it remained from the standpoint of practical intelligence collection a front for a house of Nazi spies.

65. Author's interview with Corson, May 1986.

66. Cookridge, *op. cit.*, n. 14, p. 131.

Gehlen's organization was designed to protect the Odessa Nazis.

The Org was not merely military, which is bad, not merely foreign, which is much worse, and not merely Nazi, which is intolerable; it was not even professionally committed to the security of the U.S. and Western Europe. It was committed exclusively to the security of the Odessa. All the Gehlen Org ever wanted the U.S. to be was anticomunist, the more militantly so the better. It never cared in the least for the security of the United States, its Constitution or its democratic tradition.

It is not the point of this essay that there would have been no Cold War if the Odessa had not wanted it and had not been able, through

the naive collaboration of the American military Right, to place Gehlen and his network in a position that ought to have been occupied by a descendent of the OSS. But it was precisely because the world was so volatile and confusing as of the transition from World War II to peacetime that the U.S. needed to see it, as Donovan put it in his plaintive appeal to Truman in the summer of 1945, "through American eyes." No Nazi eyes, however bright, could see it for us without deceiving us and leading us to the betrayal of our own national character.

Second, there was no way to avoid the Cold War once we had taken the desperate step of opening our doors to Gehlen. From that moment on, from the summer of 1945 when the Army brought him into the United States and made a secret deal with him, the Cold War was locked in. A number of Cold War historians on the left (for example, D. F. Fleming and Gabriel Kolko) have made cogent arguments that from the Soviet point of view the Cold War was not inevitable even as late as 1947. According to standard American history, in fact, it was only in 1947 that the Cold War was thrust upon us by an irrational and belligerent Stalin. The story of the secret treaty of Fort Hunt exposes this "history" as a self-serving political illusion. On the contrary, the war in the Pacific was still raging and the United States was still trying to get the Soviet Union into the war against Japan when General Sibert was already deep into his relationship with Gehlen.

The key point that comes crashing through the practical and moral confusion about this matter, once one sees that Gehlen's Organization was an arm of the Odessa, is that, whether it was ethical or not, the U.S. did not pick up a Gift Horse in Gehlen at all; it picked up a Trojan Horse.

The unconditional surrender the Germans made to the Allied command at the little red schoolhouse in Reims was the surrender only of the German armed services. It was not the surrender of the hard SS core of the Nazi Party. The SS did not surrender, unconditionally or otherwise, and thus Nazism itself did not surrender. The SS chose rather, to seek other means of continuing the war while the right wing of the United States military establishment, through fears and secret passions and a naivete of its own, chose to facilitate that choice. The history that we have lived through since then stands witness to the consequences. ●

NED Meddles in Lithuania:

Nurturing Baltic Reaction

by Phillip Bonosky

In April 1990, the Soviet Republic of Lithuania startled the world by declaring itself independent of the U.S.S.R. The U.S. has not yet recognized Lithuania as independent, and Bush's public remarks have been moderate. But beneath this facade of calm statecraft there runs a familiar current of silent U.S. involvement in the political affairs of another country.

The most visible intervention has been via the National Endowment for Democracy (NED), which has supplied funds, equipment, and advice to the principal nationalist opposition party *Sajudis*. NED has chosen to funnel its Lithuanian aid through one organization: the New York-based Lithuanian Catholic Religious Aid (LCRA) and its propaganda arm, Lithuanian Information Center (LIC).

These two organizations are run by arch-conservative Catholic clergy. The founder, current board chair, and the man who has "presided over the steady growth and increasing effectiveness" of LCRA, Bishop Vincentas Brizgys, was allegedly a Nazi collaborator during World War II.¹ Brizgys vehemently denies the charge. *Sajudis* itself is linked in a variety of ways to the symbols and sentiments of the fascist and Nazi periods of Baltic history.

The Country in Question

Lithuania lies on the eastern shore of the Baltic Sea, bordered on the south by Poland, on the north by the Latvian S.S.R., and on the east by the Byelorussian S.S.R. It is the westernmost extent of the Soviet Union, with a population (1980) of just over three million. In the 14th century invading Germans conquered the area and imposed the Catholic faith. In the modern era Lithuania has been repeatedly buffeted by the shifting political and military map of Europe.

Lithuania declared independence from Czarist Russia in 1918, but in 1926 the nationalist party took power through a military coup. Declaring himself president, Augustus Voldemars and his premier, Antanas Smetona shaped Lithuania into Europe's second fascist state, based explicitly on the example of Mussolini's Italy. Lithuania remained a dictatorship until 1939, when Smetona fled to the U.S. and a new parliament voted unanimously to become a constituent republic of the U.S.S.R. With the German invasion of the Soviet Union in

1941, Lithuania's nationalists returned briefly to power and assisted the Nazis in the swift, systematic slaughter of more than 130,000 Lithuanian Jews, communists and other "undesirables."

Enter NED

In April 1990, a 34 year-old American, William J.H. Hough III, was very busy in Lithuania. Hough was sent to Lithuania — although he doesn't speak Lithuanian — as legal adviser to Vytautas Landsbergis, the leader of the nationalist party. He was recommended by LCRA/LIC, which the U.S. press has cited as very enthusiastic about his work.²

Cooperating closely with Hough, LCRA/LIC has supplied *Sajudis* with paper, photocopy machines, computers, laser printers, FAX machines, and video cameras. With additional political and technical expertise, Vilnius quickly became a communications hub for secessionist forces in Lithuania and other Soviet republics.

Professionally, Hough is a lawyer. He was also an editor of the *New York Law School Journal of International and Comparative Law*, which published in its Winter 1985 issue his book-length article titled, "The Annexation of the Baltic States and its Effect on the Development of Law Prohibiting Forcible Seizure of Territory." Hough describes the interwar period of Lithuanian history as one of "political and constitutional stability" and "progress toward the restoration of full democracy."³ He fails to mention the collaboration of nationalists and Nazis. In his public justifications of secession, Landsbergis has frequently referred to Hough's interpretation of Lithuanian history.

Hough's history of Lithuania must be reassuring to NED's ideologues and their Lithuanian clients, some of whom share a past they might reasonably prefer to forget.

Channeling Endowment Dollars

During the past two years, NED has granted \$70,000 to LCRA/LIC. They are not obviously democratic organizations. Founded in 1961 to "provide the Church under the Soviet oppression with spiritual and material assistance....," LCRA's parent organization was the Lithuanian Roman Catholic Priests' League.⁴ The quiet obscurity of this group belies the

Phillip Bonosky was born of Lithuanian immigrant parents, and has made frequent trips to Lithuania. He recorded some of his impressions in the book *Beyond the Borders of Myth* (New York: Praxis, 1970).

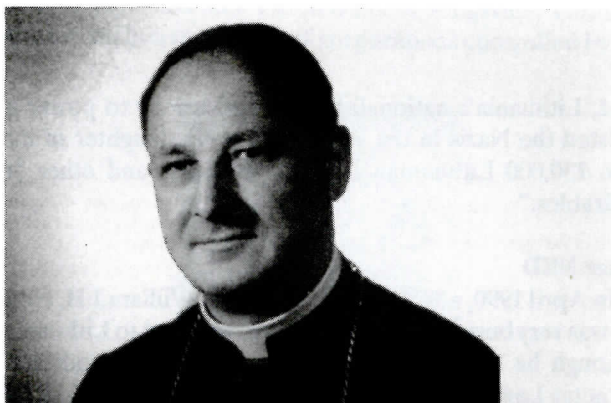
1. LCRA pamphlet, "Lithuanian Catholic Religious Aid: Twenty-Fifth Anniversary" (Brooklyn: Franciscan Press, 1986), p. 11. Raul Hilberg's *The Destruction of the European Jews* (New York: Harper and Row, 1961), and Charles R. Allen's *Nazi War Criminals Among Us* (New York: Jewish Currents Reprint, 1963), document Brizgys's background. Allen reproduced Nuremberg Tribunal documents relating to the bishop.

2. *New York Times*, March 31, 1990, p. 6.

3. *New York Law School Journal of International and Comparative Law*, Winter, 1985, p. 362. Hough worked from 1986 to 1987 as law clerk to then New Hampshire Supreme Court Justice David Souter, recently confirmed as Bush's first appointment to the U.S. Supreme Court (Martindale-Hubbell Law Directory, 1990 edition).

4. LCRA, *op. cit.*, n. 1, p. 25.

welcome they receive in the halls of power. LCRA executive director Father Casimir Pugevicius served in 1983 on an advisory committee to Senator Charles Percy (Rep.-Ill.), then a member of the Senate Foreign Relations Committee. He was also welcomed in the Reagan White House in 1986.



Credit: Lithuanian Catholic Religious Aid

Reverend Bishop Vincentas Brizgys, auxiliary Bishop of Kaunas, President emeritus and board chair, LCRA.

According to LCRA/LIC, its 1990 grant application to NED requested \$618,300 and outlined its ambitious proposal as follows:

...five separate pro-democratic organizations would receive technical and material aid. The first, a coalition of democratic parties enjoying broad support in Lithuania and capable of assuming leading roles in the new legislature would receive computer and audio-visual equipment.... Communications and video equipment will also be transported to the Sajudis Information Agency.... [According to NED, funds went only to *Sajudis*.⁵]

The second part of the project would ensure a continuous supply of much needed paper for independent publishers and organizations. The dramatic increase in the number of democratic groups in Lithuania in the past year has caused severe shortages in the very limited pool of resources.... Because of the greater degree of liberalization in Lithuania, this republic has emerged as the publishing center for the independent groups throughout the Soviet Union....⁶

Within weeks of the arrival of these goods, traditional sources of information in Lithuania were suppressed or taken over by *Sajudis*. Nationalist sympathizers cut off broadcast programming from Moscow, and Lithuania was soon flooded with secessionist propaganda.⁷ In the ensuing election, *Sajudis* managed to dominate the scene by riding the crest of

a wave of nationalist sentiment. It won a majority in the Seim (parliament). In March a hastily convened session of parliament voted for secession (91-38) in a matter of hours. Laws were passed curbing opposition newspapers and changing the flag and national anthem, reverting to versions in use during the nationalist period. As to whether, or what, of real substance should change, *Sajudis* remained silent.

Echoes From the Past

To Lithuanians old enough to remember the second World War, the energetic activities of *Sajudis*, LCRA, and LIC must seem vaguely familiar. Landsbergis's father was a member of the *Savandoriai* (nationalist militia), who fought the Russians (1918-19), helped enforce the successive dictatorships of Voldemares and Smetona, and collaborated with the German occupation.

A reporter for *Der Spiegel* wrote in April 1990 that: "Everybody fears *Sajudis*. Anyone who attacks *Sajudis* is declared an enemy of the people by Landsbergis, and that happens very quickly."⁸ In addition, the *Savandoriai* (illegal under Soviet law) have been revived under the leadership of retired army officers.⁹

Prior to the German invasion in June 1941, a Berlin-based "Lithuanian Information Bureau," the propaganda arm of the Lithuanian Activist Front, a nationalist exile organization, sent the following message into Lithuania:

...liberation is close at hand...uprisings must be started in the cities, towns and villages of Lithuania...communists and other traitors...must be arrested at once...(The traitor will be pardoned only provided he proves beyond doubt that he has killed one Jew at least.)¹⁰

In the book *Blowback*, Christopher Simpson crisply summarizes part of the "liberation" that followed:

...municipal killing squads employing Lithuanian Nazi collaborators eliminated 46,692 Jews in fewer than three months, according to their own reports, mainly by combining clock-like liquidation of 500 Jews per day in the capital city of Vilnius with mobile "clean-up" sweeps through the surrounding countryside.

Such squads were consistently used by the Nazis for the dirty work that even the SS believed to be beneath the dignity of the German soldier.¹¹

8. Peter Schille, "Angst vor *Sajudis*" (Fear of *Sajudis*), *Der Spiegel*, April 2, 1990, p. 193.

9. Carl Bloice, "Fascists mar Baltics," *People's Daily World*, June 16, 1990, p. 6. Bloice cites reports in the Soviet press of the revival of rightwing militia in other Baltic states as well. These reports estimated the Lithuanian *Savandoriai* at 5,000 men.

10. *Documents Accuse* (Vilnius, Lithuania: Gintaras, 1970). A collection of war crimes documents.

11. Christopher Simpson, *Blowback* (New York: Weidenfeld and Nicolson, 1988), p. 25.

5. Confirmed by a telephone call to NED on October 12, 1990.

6. Internal LIC document, *Lithuanian Information Center Bulletin*, undated, approximately January, 1990.

7. For further detail, see Bill Keller's *New York Times* series on the secession during April 1990.

On August 4, 1941, the Lithuanian Activist Front, installed a provisional government, taking care to cooperate fully with the Nazis. The invaders let president Juozas Ambrazevicius's government stand for three months, during which time the worst of the killings occurred. After the war, Ambrazevicius fled to the U.S., where he changed his name to Brazaitis.¹²

The crimes which prompted the post-war flight of many Lithuanian nationalists were starkly documented in the "Jaeger Report," an official count by the SS officer who supervised the massacres:

*Einsatzkommando 3 Kovno, December 1, 1941
Secret State Document*

Summary of all executions carried out in the sphere of action of Einsatzkommando 3 up to December 1, 1941.

*Einsatzkommando 3 took over its duties as security police in Lithuania on the 2nd of July 1941.... In compliance with my directives and on my order the Lithuanian partisans have carried out the following executions....*¹³

What followed was a chronological accounting of the activities of the killing squads. Victims were neatly categorized: Jewish men, Jewish women, Jewish children, Poles, Lithuanian communists, Russian communists, Intellectual Jews, Lunatics, Gypsies, Political Instructors, Armenians....

After the first 3,000 deaths, Jaeger apparently decided that the Lithuanian nationalists alone were not equal to the task:

...After organizing a mobile unit under SS-Obersturmführer Hamann and 8 to 10 tried men of EK 3 the following actions were carried out in cooperation with the Lithuanian partisans...

...Before the EK 3 assumed security duties, the partisans themselves killed [4,000] Jews through pogroms and executions...

...I can state today that the goal of solving the Jewish problem in Lithuania has been reached by EK 3. There are no Jews in Lithuania anymore except the work Jews and their families.... The goal to clear Lithuania of Jews could be achieved only thanks to... men... who adopted my goal without any reservations and managed to secure the co-operation of the Lithuanian partisans and the respective civil offices....

The final tally of those killed was 137,346. As the report clearly indicates, the Nazis were assisted by both the paramilitary bands associated with the nationalists, and by those in positions of authority—including members of the Catholic clergy.

12. Allen, *op. cit.*, n. 1, p. 37.

13. William A. Mishell, *Kaddish for Kovno; Life and Death in a Lithuanian Ghetto, 1941-1945* (Chicago: Chicago Review Press, 1988), Appendix A, pp. 381-89.

A Nazi Collaborator Prospers in Chicago

As auxiliary Bishop of Kaunas, (Kovno) during the German occupation, Bishop Vincentas Brizgys, founder of LCRA/LIC, lent his spiritual authority to fascism. When the Nazis retreated, so did he: first to Germany, then to Chicago where he has lived, worked, and carried the nationalist banner for 25 years.

The clergy hated socialism for very clear reasons. The socialist government which came to power in 1939 had separated church and state. Church property was confiscated, including large farms where peasants labored under semi-feudal conditions eliminated elsewhere in Europe centuries before. Clergy were removed from government and the educational system, two institutions where they had long wielded powerful influence.

Archbishop Skvireckas, Brizgys's superior, documented the bishop's collaborationist activities with evident satisfaction. The archbishop's diary for July 1, 1941 reveals that Brizgys made contact:

...with the representative of the German government for the Baltic states. [Dr. Groffe, formerly head of Gestapo in East Prussia who] ...proposed...that he [Brizgys] should make an appeal to the people to behave quietly and pursue their daily business with confidence, without any fear that they might be harmed.¹⁴

On June 30 1941, the archbishop had written: "The ideas in *Mein Kampf* on the question of the Bolshevik-Jewish contagion are splendid...they prove that Hitler is not only an enemy of the Jews, but generally speaking has the right ideas."¹⁵

An appeal to welcome the Nazis was broadcast by radio, then published in a major Kaunas newspaper, signed by Skvireckas, Brizgys and Vicar General Saulys. Their signatures were also on a formal telegram of thanks to Hitler for "Lithuania's liberation," sent in the middle of July 1941.

As the Nazis and their collaborators implemented the diabolical logic of *Mein Kampf*, Brizgys "set an example for the entire population by forbidding the clergy to aid the Jews in any way."¹⁶ He also urged from his pulpit, and via radio and newspaper, that Lithuanians cooperate with the Nazis.¹⁷

When the Soviet army, led by its 16th Lithuanian division, drove the Nazis out in 1944, Brizgys fled to safety in Germany, then to the U.S. Sent to the archdiocese of Chicago he helped launch Lithuanian Catholic Religious Aid in 1961, and served as LCRA president until 1986. He is now chair of the board

14. *Op. cit.*, n. 10. See also Vladimir Molchanov, *There Shall Be Retribution; Nazi War Criminals and Their Protectors* (Moscow, U.S.S.R.: Progress Publishers, 1984), pp. 86-89, and Allen, *op. cit.* n. 1, p. 37.

15. Molchanov, *ibid.*, p. 86.

16. Hilburg, *op. cit.* n. 1, p. 201. Allen, *op. cit.* n. 1, p. 37, quotes the U.S. prosecution team at Nuremberg: "Page 16: concluding a report on religious affairs, it is stated that Bishop Brizgys has forbidden all clergy to aid Jews in any way."

17. Molchanov, *op. cit.*, n. 14, pp. 88-89. Molchanov notes that Brizgys was helpful in recruiting "volunteers" for the Wehrmacht's construction brigades.

of directors.¹⁸

Other Friends of Lithuanian Democracy

● Director of Special Projects for LCRA/LIC is Rasa Razgaitis, stepdaughter of accused war criminal Jurgis Juodis. Because of his involvement as a nationalist military officer in the massacres of 1941, Juodis became the subject of a Justice



Under *Sajudis*, Lithuania has replaced hammer and sickle with the white knight on a red field used by the Savandoriai during the nationalist and fascist period of the 20s and 30s.

Department Office of Special Investigations (OSI) inquiry in 1981.¹⁹ In addition to her work with LCRA, Razgaitis is head of "Americans for Due Process," an organization "formed solely to challenge the activities of the Justice Department's war crimes unit."²⁰ She is also a friend of Patrick Buchanan, through whom she gained access to the Reagan White House when Buchanan was Communications Director.

● AFL-CIO president Lane Kirkland is a longtime member of the cold warrior clique Committee on the Present Danger, and supports CIA manipulation of labor movements around the globe. Kirkland has welcomed Landsbergis as a friend during his U.S. visits. Kirkland's name was on an open letter to President Bush published in the April 22, 1990 *New York Times*, calling for immediate recognition of Lithuanian independence. Kirkland is on the NED board.

● Richard Ebeling, vice president of the Future Freedom Foundation (FFF) of Denver, has been invited by *Sajudis* to lecture "in Lithuania, on the principles of freedom."²¹ In addition, six *Sajudis* economists have met with leaders of FFF to discuss "free market proposals...made as radical as possible."²² Among others discussed were the now-familiar calls for rapid denationalization of all industries and state property; decontrol of all prices and wages, both in the consumer and

18. LCRA, *op. cit.*, n. 1, p. 11.

19. Juodis was a resident of St. Petersburg, Florida in 1981. His case was heard in U.S. District Court for the Middle District of Florida (Civil Action No. 81-1013-CIV-T-17).

20. Press Release, New York, World Jewish Congress, December 9, 1985.

21. Denver, CO, Future Freedom Foundation newsletter, "From the Vice President's Desk," undated, early 1990.

22. *Ibid.*

production markets; and privatization of social services, including medical and retirement pensions.

What Will Lithuanians Think?

Medical care has been free in Lithuania since 1940. Pensions are mandated by law and begin for women at age 55 and for men at 60. Wages are determined in consultation with the unions. Housing is inexpensive, and pre-secession housing goals called for private dwellings for all citizens by the year 2000. Vacations are guaranteed and often partly or fully paid by the unions. Education, beginning with day care, is free, and there are special schools for gifted or differently abled children.

What the *Sajudis* program amounts to is retrograde capitalism. Their vision of Lithuania's future is as the "Hong Kong of Eastern Europe."²³ Indeed, one of the selling points which groups like Poland's Solidarity are now using to entice western capital is the lure of cheap labor, high profits, and the assurance that labor militancy is under control.

A good part of *Sajudis*'s success thus far can be accounted for by their dramatic manipulation of nationalist themes, and their refusal to elaborate publicly any concrete policy proposals. There is little evidence that most Lithuanians understand the future in *Sajudis*'s terms, or that there was anything final about the vote that ostensibly announced Lithuania's "independence." At the first minor setback—the reduction of subsidized Soviet fuel supplies—the same parliament that voted for independence nullified that vote.

Chances are good that the Lithuanian people are far from ready to privatize a social system which provides a good standard of living for nearly all Lithuanians. They long ago put behind them the days of *vieneri marškinai, vienerios kelines*—one shirt and one pair of pants. ●

23. *Ibid.*

Leaving Town?

Send us your new address! CAIB travels via bulk mail. USPS won't forward or return an incorrectly addressed magazine. So keep our sublist current and you won't miss an issue, and we won't have to bill you for a replacement copy. Thanks!

The Destabilization of the Soviet Union

by Sean Gervasi

During the early months of the first Reagan administration, it became abundantly clear that the U.S. was embarking upon a policy of confrontation with the Soviet Union. Political observers had begun talking about a new Cold War.¹ By 1982, relations with the Soviet Union were becoming tense—as were relations with some NATO allies. In the U.S. and in Europe, the bellicosity of the Reagan administration gave rise to a growing fear of nuclear conflict.²

Yet, if the U.S. seemed intent upon confrontation, even upon “playing nuclear chicken” with the Soviet Union, it was not at all clear what it expected to achieve by doing so. The Reagan Administration’s policies were clear, but the objectives of those policies were not. Many observers began to fear, especially in Europe, that some members of the new U.S. administration might actually want a nuclear war, believing that the United States might somehow “prevail.”

In fact, the Reagan administration was not driving towards nuclear war. Its extremely aggressive policies were not meant to lead to war, but to change and upheaval inside the Soviet Union. Those policies were part of a strategy aimed at forcing the Soviet Union to retreat from the world stage and to adopt reforms which would carry it towards a “regulated market economy,” that is, towards the dismantling of socialism.³

A few analysts had seen what was happening. In 1982 Joseph Fromm made it clear that there was something “behind [the] shift to [a] harder line in foreign policy.”⁴ The U.S. was, in fact, “waging limited economic warfare against Russia to force the Soviets to reform their political system.” Fromm quoted an unnamed U.S. official as saying that,

The Soviet Union is in deep, deep economic and financial trouble. By squeezing wherever we can, our purpose is to induce the Soviets to reform their system...I think we will see results over the next several years.⁵

Unfortunately, such reports were few and far between at the time, and those that were published appear to have been forgotten.

Sean Gervasi is an American economist. He writes periodically for *CovertAction Information Bulletin*.

1. See, William Hyland, “Soviet American Relations: A New Cold War?,” the RAND Corporation, October 1981.

2. On June 12, 1982 between 750,000 and 1,000,000 people attended an anti-war demonstration in New York City. It was the largest demonstration of its kind in New York’s history.

3. The term, “regulated market economy,” is now used by official Soviet media to describe the goal of economic reforms.

4. Joseph Fromm, “Behind Shift to Harder Line in Foreign Policy,” *U.S. News and World Report*, August 16, 1982.

5. *Ibid.*

Observers in the West and in the Socialist Bloc have, on the whole, seriously misunderstood the foreign and military policies pursued by the U.S. during the last decade. These have been depicted as uneven and reckless, because most analyses have focused on surface phenomena such as the expansion of military forces or efforts to deny the Soviet Union new technologies rather than on the strategy behind such policies.⁶

This strategy now needs to be examined and debated for two reasons. Firstly, it appears to have achieved a considerable measure of success. This is not generally recognized, particularly among critics of the Reagan administration, from the center to the left. Conservatives, however, are openly arguing that the Reagan administration set in motion the policies which led to “the defeat of Communism.” The editor of *Policy Review*, the flagship publication of the Heritage Foundation, wrote recently that the West had “won” the Cold War because of the foreign policies pursued by conservative governments in every major country of the western world.⁷ David Rubinstein, a sociologist at the University of Illinois, was more specific. “The key difference in Soviet policy between the 1970s and the 1980s,” he wrote, “is to be explained, not by further deterioration of the Soviet economy, but in changes in U.S. foreign policy.”⁸

Secondly, there is substantial evidence that, having succeeded in aggravating the crisis in the Soviet Union, the U.S. and its allies are now engaged in building internal pressures there for further reforms. They are engaged in open, large-scale interference in the internal affairs of the Soviet Union. Conservative analysts are open about this. Rubinstein, for instance, expressed his concern that “if the current sense of crisis is eased, the motivation for further reform may be lost.” And he concluded that “If internal pressure was a key factor in motivating this policy [of reform], pressure may be required to keep it moving forward.”⁹

Preparations

One of the first public indications of the existence of a secret strategy to apply pressure against the Soviet Union came in March 1981. Richard Pipes, a senior National Security Council official in charge of Soviet affairs, gave a

6. Very little appears to have been published in the United States on the Reagan Administration’s strategy, as distinct from its foreign and military policies. An exception is Thomas Bodenheimer and Robert Gould, *Rollback: Right-wing Power in U.S. Foreign Policy* (Boston: South End Press, 1989).

7. Adam Meyerson, “Who Won the Cold War?,” *Policy Review*, Spring 1990, p. 2.

8. David Rubinstein, “What Pressures Reformed the USSR?,” *Chicago Tribune*, December 9, 1989.

9. *Ibid.*

press interview which caused some controversy. Pipes, a Soviet expert on leave from Harvard University, told a Reuters correspondent that, "Nothing was left of detente." Furthermore, he said, the new administration might soon pursue a foreign policy "as radical as the new President's economic program."¹⁰



Credit: Associated Press

Richard Pipes, Harvard cold warrior.

The Reagan administration, he told the interviewer, was moving towards a strategy of confrontation with the Soviet Union and with radical and socialist regimes in the Third World.

The purpose of the strategy, Pipes indicated, was to change the world balance of forces in favor of the U.S. and its allies. The key sentence in the Pipes interview was, "Soviet leaders would have to choose between peacefully changing their Communist system in the direction followed by the West and going to war."¹¹ And the *New York Times* described Pipes as saying that "there was no alternative to war with the Soviet Union if the Russians did not abandon Communism."¹²

These words did not come from a middle level government official. They came from the senior National Security Council officer in charge of Soviet affairs, and they were, for that reason exactly, seen as indicating a dangerous aggressiveness on the part of the Reagan administration.

The Pipes interview rang alarm bells around the world. The White House immediately disavowed the interview, claiming that Pipes's remarks did "not represent the views of the administration."¹³ Even so, U.S. allies protested vigorously. The *Financial Times* of London, warned that U.S. allies would be angered by any attempt to play what it called "a dangerous game of 'chicken.'"¹⁴

Then the storm fell as suddenly as it had arisen, and nothing

more was heard of the matter.

In retrospect, it seems likely that Pipes was being used deliberately to alarm the Soviets so that they would try to match the U.S. military expansion then under way, particularly in the nuclear field. The Pipes "leak" is entirely consistent with a strategy of "spending them into bankruptcy," or "weakening Russia's economy."¹⁵ The strategy itself, however, involved much more than the threat of nuclear war.

A large number of studies by the RAND Corporation carried out in the early 1980s shed considerable light on the wider strategy, and make it clear that the Reagan administration was not preparing for war but mounting a sophisticated attack on the Soviet economy.

The RAND Corporation is a California think tank which carries out a great deal of classified research, especially for the military. Its experts move in and out of government. And it is routinely asked to analyze and comment upon military and intelligence planning documents which are not accessible to an ordinary congressman. RAND, like a number of similar organizations, is in effect a part of the military-intelligence complex.

Many of the RAND studies in question were commissioned by the Department of Defense. And the published papers were often "sanitized" versions of classified studies. The titles of the papers themselves were suggestive. They included "Economic Leverage on the Soviet Union,"¹⁶ "The Costs of the Soviet Empire,"¹⁷ "Sitting on Bayonets? The Soviet Defense Burden and Moscow's Economic Dilemma."¹⁸

Taken together, these papers were essentially concerned with two issues. The first was "economic stringency" in the Soviet Union, especially from the late 1970s. The second was what measures NATO countries could use to make that "economic stringency" more acute.

These papers, moreover, developed a clear analytical line of argument, which may be summarized as follows:

- Economic growth in the Soviet Union had begun to slow in the late 1970s, increasing the difficulties of meeting the various claims on resources.¹⁹
- At the same time, the Soviet Union was entering a "leadership crisis," as leadership of the Communist Party was being passed to a younger generation.²⁰
- The United States and its allies could take various ac-

15. "Spending them into bankruptcy" is a phrase used in 1985 to describe the policy preferences of unnamed U.S. analysts. See Abraham Becker, "Economic Factors Affecting Soviet Foreign and Defense Policy: A Summary Outline," RAND Corporation, October 1985, p. 1.

16. Abraham Becker, "Economic Leverage on the Soviet Union," RAND Corporation, July 1984.

17. C. Wolf Jr., K.C. Yeh, E. Brunner Jr., A. Gurwitz and M. Lawrence, "The Costs of the Soviet Empire," RAND Corporation, September 1983.

18. Abraham Becker, "Sitting on Bayonets? The Soviet Defense Burden and Moscow's Economic Dilemma," RAND Corporation, September 1983.

19. *Ibid.*, p. 25. "During the first decade of the Brezhnev period, the economy was growing rapidly enough...to allow for moderate rates of increase of consumption, investment and defense.... But in the second decade, that became increasingly difficult to accomplish as aggregate growth rates slowed alarmingly."

20. Abraham Becker, "Burden of Soviet Defense," RAND Corporation, October 1981, p. 59. "Internally, two characteristics of the policy environment are likely to be dominant — leadership change and economic downturn."

10. John Vinocur, "Bonn Officials Pleased with U.S. Disavowal of Pipes," *New York Times*, March 20, 1981.

11. "U.S. Repudiates Hard-line Aide," *New York Times*, March 19, 1981.

12. Hedrick Smith, "Discordant Voices," *New York Times*, March 20, 1981.

13. Jeremiah O'Leary, "Aide's Anti-Soviet Comments Disavowed by Administration," *Washington Star*, March 19, 1981.

14. "Loose Talk in Washington," (London) *Financial Times*, March 20, 1981.

tions which would force the Soviet Union to increase its defense spending and its economic and military assistance to allies and friends.²¹

- They could also take measures to deny the Soviet Union access to credits, key imports and modern technology, which is especially important for increasing productivity and accelerating growth.²²
- Such measures would either reduce the overall volume of resources available to the Soviet Union, hold back the growth of productivity or force resources to be shifted from domestic consumption and investment.
- Each of these effects would aggravate the difficulties confronting the Soviet leadership in a stagnant economy.²³
- A combination of measures "to impose costs" on the Soviet Union might be expected to lead to a fall in investment and/or living standards.²⁴
- A combination of such measures, consequently, might generate pressures within the Soviet Union for withdrawing from the world stage and for political and economic reforms.²⁵

Thus the RAND studies seemed to be preparing the groundwork for a kind of hot Cold War aimed at weakening and possibly even breaking the back of the Soviet economy. In the 1980s, after a decade of détente, this was remarkable enough in itself. It is clear, however, that analysts believed the ultimate aim of this strategy should be to force change upon the Soviet Union:

Thus the Reagan administration sees Soviet economic troubles as an opportunity to complicate further their resource-allocation dilemma in the hope that additional pressure would result in a re-allocation of resources away from defense or...would push the economy in the direction of economic and political reforms.²⁶

The Reagan Doctrine: A "Full Court Press"

The fact that the RAND Corporation and other think tanks were, in the early years of the last decade, studying the possibilities of the strategy in question does not prove that the Reagan administration ever adopted such a strategy.

However, in mid-1982, evidence began to emerge that the

21. Mark Hopkins and Michael Kennedy, "Comparisons and Implications of Alternative Views of the Soviet Economy," RAND Corporation, March 1984, p. 13. "The Western allies...have certain policy options which, if exercised, could easily induce the Soviets to increase their foreign aid and, thus, heighten the pressure on their economy."

22. *Ibid.*, p. 56. "The first set [of technology scenarios] examines some of the implications of possible Western policies aimed at imposing costs on the Soviet Union."

23. *Ibid.*, p. 64. "One fruitful subject for future research...would be the impact on the Soviet economy of alternative plausible Western policy options aimed at imposing costs on the Soviet Union."

24. Becker, *op. cit.*, n. 15, p. 1. "...current Soviet economic troubles tempt some Americans to threaten 'spending them into bankruptcy.'"

25. John van Oudenaren, "Exploiting 'Fault Lines' in the Soviet Empire: An Overview," RAND Corporation, August 1984, p. 5. "Not least, economic stringency increases the disaffection of the populations with their Communist regimes."

26. Abraham Becker, ed., "Economic Relations with the USSR" (Massachusetts: Lexington Press, 1983), pp.7-8.

Reagan administration had actually adopted precisely the kind of policy which RAND had been studying and which Pipes had referred to.

In May 1982, a second White House official, a consultant to the National Security Council, met with a small group of reporters to give a background briefing. The subject was U.S. policy towards the Soviet Union. According to one reporter, the White House official outlined an extremely aggressive policy, and his remarks actually alarmed some of those present. Helen Thomas, the UPI White House correspondent sent a dispatch about the meeting which contained the following passage:

A senior White House official said Reagan approved an eight-page National Security document that undertakes a campaign aimed at internal reform in the Soviet Union and the shrinkage of the Soviet empire. He affirmed that it could be called a 'full court press' against the Soviet Union.²⁷

In basketball, a "full court press" is a strategy of maximum pressure against one's adversary in every part of the court. It is an onslaught.

A little more than a week later, documents relating to this strategy were being referred to and quoted in the press. On May 30, Richard Halloran of the *New York Times* published a report on the Reagan Administration's policy for fighting a nuclear war. He had obtained a copy of the "Fiscal Year 1984-1988 Defense Guidance," Secretary of Defense Casper Weinberger's controversial document on "prevailing" in a prolonged nuclear war. The Secretary's "Guidance" document recommended a major escalation in the nuclear arms race. Quite apart from that, it indicated that many other measures were being taken to "impose costs" on the Soviet Union. Halloran wrote:

As a peacetime complement to military strategy, the guidance document asserts that the United States and its allies should, in effect, declare economic and technical war on the Soviet Union.²⁸

Halloran also quoted the document directly as saying that the United States should develop weapons that "are difficult for the Soviets to counter, impose disproportionate costs, open up new areas of major military competition and obsolesce [*sic*] precious Soviet investments."²⁹ According to Halloran, the document also stated that western trade policies should "put as much pressure as possible on a Soviet economy already burdened with military spending."³⁰

Thus Halloran's article made it clear that many elements of a "full court press" had been incorporated into the "1984-

27. Robert Scheer, *With Enough Shovels: Reagan, Bush and Nuclear War* (New York: Random House, 1982), p. 131.

28. Richard Halloran, "Pentagon Draws Up First Strategy for Fighting a Long Nuclear War," *New York Times*, May 30, 1982.

29. *Ibid.*

30. *Ibid.*

1988 Defense Guidance.”

William Clark, then Reagan’s National Security adviser, hinted at the existence of a “full court press” at the time that the Defense Guidance document was leaked to the *New York Times*. Speaking at Georgetown University on May 20, 1982, he described emerging U.S. strategy as including “diplomatic, economic and informational components built on a foundation of military strength.”³¹ Clark was saying that Cold War rhetoric, policies towards East-West trade, “public diplomacy,” rearmament, etc., were all connected, all part of an overall plan. And he indicated that this strategy had a new purpose: “We must force our principal adversary, the Soviet Union, to bear the brunt of its economic shortcomings.”³²

By mid-1982, a number of studies, press reports, government documents and official speeches had revealed the existence of a clear, coherent strategy towards the Soviet Union. This strategy went well beyond the traditional policies of containment. The Reagan administration was seeking not to oppose Soviet policies in the world, but to destabilize the Soviet Union itself.

Despite Clark’s remarks about the various “components” of U.S. strategy, it was still difficult to tell precisely what that strategy was. No one had identified its constituent elements, except in the most general terms. So the outlines of the “full court press” were only faintly visible. And the purpose of the strategy, “internal reform” in the Soviet Union, was not at all clear. The Reagan administration’s new strategy did not actually come into clear focus until the spring of 1985. It was then that Jeane Kirkpatrick provided a fuller description of the “full court press.”

In a speech before members of the Heritage Foundation on May 10, 1985, Kirkpatrick described what she called the “Reagan Doctrine,” which was, in fact, a doctrine setting out the general lines of U.S. strategy towards the Soviet Union. “What I shall term ‘Reagan Doctrine,’ ” Kirkpatrick said, “focuses on U.S. relations with the Soviet Union and its associated states.”³³

Kirkpatrick was careful not to reveal too much about the aim of the “full court press.” She described the principal aims of the Reagan Doctrine as being “to redress the correlation of forces, stop Soviet expansion, clarify the nature of the contest.”³⁴ She did not mention “internal reform” as an objective of U.S. policy, but did emphasize the need to pursue these objectives simultaneously.³⁵

In the body of her speech, Kirkpatrick described the various components of the Reagan Doctrine in some detail, something which no one had done previously. And in so doing, she made it clear that they were all part of a coordinated plan, as William Clark had suggested three years earlier.

According to Kirkpatrick, the Reagan Doctrine included

the following important components:

- “rebuilding defenses,” that is, expansion of U.S. military forces;³⁶
- “developing new defenses,” including the Strategic Defense Initiative;³⁷
- “development and deployment of advanced weapons in the U.S. and Europe;”³⁸
- withholding “from our adversaries advanced technology of military importance;”³⁹
- “support for freedom-fighters,” that is, low-intensity war and proxy war;⁴⁰
- propaganda, or what Kirkpatrick called “a response at the ideological level to ‘semantic infiltration’ and moral disarmament;”⁴¹
- a foreign assistance program that would “utilize aid to expand and preserve freedom.”⁴²

Kirkpatrick left out of her account a number of components or policies which were clearly a part of the effort “to redress the correlation of forces” and to “stop Soviet expansion.” These included such policies as the destabilization of Eastern Europe, the broad policy of economic as distinct from technical denial and the continuation of arms control negotiations to moderate the Soviet response to the U.S. military build-up.

Overall, Kirkpatrick’s is the best single description of the Reagan Doctrine on the public record. It provides some insight into the general purposes of U.S. strategy, while holding back from giving away too much. It should be clear that the Reagan Doctrine is the “full court press” which some reporters had briefly seen three years earlier behind the “buzzing, blooming confusion” of the “shift to a harder line in foreign policy.”

Destabilization: 1982-1990

The typical campaign of destabilization has involved two elements. The first is external pressure; the second is internal manipulation. The attacker is bent on creating disruption and turmoil in the target country. But that is only its first objective. The ultimate purpose is to produce political change, typically a change of government, a *coup d’état* or even a revolution. There can be no assurance, however, that disruption and turmoil will produce the desired political results.

Therefore, in most cases, the attacking power also intervenes in the internal political process in the target country. It does so in order to ensure that things move in the direction it wants. This intervention is usually covert; and it involves two steps. The first is the identification of, support for, strengthening and even creation of political assets. These are influential individuals, civic groups, trade unions, youth groups, cultural organizations, and media organizations which are in conflict with or hostile to the government of the target country. These

31. Cited in Louis Walinsky, “Coherent Defense Strategy: The Case for Economic Denial,” *Foreign Affairs*, Winter 1982-83, p. 272.

32. *Ibid.*

33. Jeane Kirkpatrick, “The Reagan Doctrine and U.S. Foreign Policy,” The Heritage Foundation, 1985, p. 5.

34. *Ibid.*, p. 9.

35. *Ibid.*

36. *Ibid.*

37. *Ibid.*

38. *Ibid.*, p. 10.

39. *Ibid.*

40. *Ibid.*

41. *Ibid.*, p. 12.

42. *Ibid.*, p. 14.

assets are then manipulated and used to further the political purposes of the attacker.

This is what the United States and other western countries have been doing inside the countries of the Socialist Bloc. And they have been intervening in the Soviet Union in an increasingly open fashion.

In mid-1982, at the very moment that it was starting a "full court press" against the Soviet Union, the Reagan administration was also preparing a large-scale intervention in the internal political affairs of that country.

At that time, the administration launched a remarkable initiative, which was described as a "quasi-governmental program aimed at promoting democracy in developing countries and, where possible, in Communist nations."⁴³ According to U.S. officials, the project was intended "to place political aid to developing countries on the same level as military and economic aid."⁴⁴ Essentially, "the promotion of democratic forces overseas" was to be achieved "through open financing of political parties, labor unions and newspapers," and the provision of technical assistance.⁴⁵

Previously operations of this nature had been the exclusive province of intelligence agencies. They were generally viewed, when detected, as interventionist and illegitimate. This new "Project Democracy" was no less interventionist, but it was well camouflaged. It proclaimed the indisputable desirability of democracy and so cloaked itself in virtue. A "quasi-governmental institution," the National Endowment for Democracy, would later be created to administer the project. And the press dutifully reported that its launching "would avoid the appearance that it is a United States Government undertaking."⁴⁶

The really controversial issue, of course, was whether the project would be used to "promote democracy" in Communist countries. The Reagan administration was determined to use it for that purpose. In the spring of 1982, then Secretary of State Alexander Haig said:

Just as the Soviet Union gives active support to Marxist-Leninist forces in the West and the South, we must give vigorous support to democratic forces, wherever they are located, including countries which are now Communist.

We should not hesitate to promote our own values, knowing that the freedom and dignity of man are the ideals that motivate the quest for social justice. A free press, free trade unions, free political parties, freedom to travel and freedom to create are the ingredients of the democratic revolution of the future, not the status quo of a failed past.⁴⁷

There is no doubt that the phrases, "a failed past" and "the democratic revolution of the future" were intended to refer to

43. Bernard Gwertzman, "Aid to Democracy Abroad is Weighed," the *New York Times*, May 30, 1982.

44. *Ibid.*

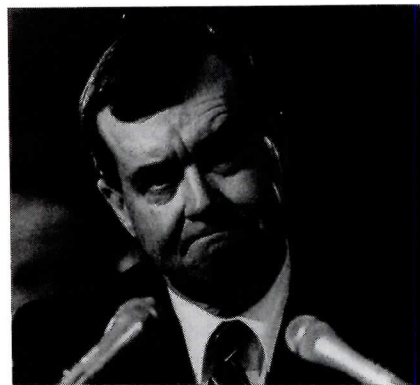
45. *Ibid.*

46. *Ibid.*

47. *Ibid.*

the present situation in the Socialist countries and its hoped-for resolution.

Subsequently, the Reagan administration harnessed many forces to "promote democracy" in the Soviet Union and other countries east of the Oder. These included the AFL-CIO, U.S. business, private sector organizations—some of which were intelligence agency fronts—the National Endowment for Democracy, political parties and foundations in NATO countries and the Republican and Democratic parties. By 1984, the program was well under way, especially in Poland and the Soviet Union.



Credit: Associated Press

William P. Clark, a National Security Adviser to Ronald Reagan.

It was in 1984 that Richard Pipes reemerged to call attention to the possibilities in U.S. policy towards the Soviet Union. In an article in *Foreign Affairs* Pipes explained how the growing crisis in the Soviet Union could, and should, be resolved.⁴⁸

In Pipes's view, the Soviet Union was in a "revolutionary situation."⁴⁹ And he quoted Lenin on the subject. However, what was lacking at the time, he said, was "the subjective element, the ability and will of social groups and social parties to transform the 'revolutionary situation' into a revolution."⁵⁰

"But a way could be found around even this obstacle, as events in Hungary, Czechoslovakia and Poland have shown..."⁵¹

The only real way out of the crisis for the Soviet elite was by reform. And Pipes noted that, in the past, they had "consented to make changes only under duress caused either by humiliations abroad or upheavals at home."⁵² At the time Pipes was writing, the "full court press" had long been under way. And it had begun to produce greater economic difficulties in the Soviet Union, as well as "humiliations abroad."

In Pipes's view, the Soviet elite had to be made to understand that "reforms" were "the price it must pay for its sur-

48. Richard Pipes, "Can the Soviet Union Reform?," *Foreign Affairs*, Fall 1984.

49. *Ibid.*, p. 50.

50. *Ibid.*, p. 51.

51. *Ibid.*

52. *Ibid.*, p. 56

vival.”⁵³ Pipes, of course, had a clear idea of exactly what the Reagan administration was doing, and planning to do, to threaten that survival:

The key to peace, therefore, lies in an internal transformation of the Soviet system in the direction of legality, economic decentralization, greater scope for contractual and free enterprise, and national self-determination.⁵⁴

In short, Pipes was calling for the dismantling of socialism in the Soviet Union. As he had indicated in 1981, the Soviet Union would either have to “move in the direction of the West” or face the prospect of continuing “humiliations abroad,” unsustainable costs and greatly intensified pressure.

Finally—years before the crisis in the Socialist countries assumed its present dimensions—Pipes called for exactly the kind of intervention which was being set in motion under the banner of “promoting democracy.” “The West,” he said, “would be well advised to do all in its power to assist the indigenous forces making for change in the U.S.S.R. and its client states.”⁵⁵ And that is just what the United States and other countries have been doing.

It is not possible here to examine the many means which the West has used to manipulate the internal situation in Socialist countries over the last eight years. But they have been numerous. Obviously, throughout this period, intelligence agencies in the West have been highly active inside the Socialist countries, although very little has been written or reported on the subject. So it is difficult to know what effect covert actions have had on the situation.

What is striking today, however, is that so many public agencies and private organizations are doing exactly what intelligence agencies have done in the past. Government agencies, foundations, business groups, media organizations, human rights groups, trade unions and others are all supporting and aiding opposition groups, particularly in the Soviet Union. They are openly aiding and guiding forces hostile to Socialist governments. They are, in short, actively working to produce that “internal transformation,” of which Pipes spoke six years ago.

One has only to read the documents of the National Endowment for Democracy (NED), the Department of State, and the U.S. Advisory Commission on Public Diplomacy to understand the scale of this intervention. What is equally striking is that this intervention is now openly talked about without the slightest criticism or protest from the Congress, the mass media, or opposition political groups in our own country. In January 1990, at a meeting of the U.S. Advisory Commission on Public Diplomacy, Lawrence Eagleburger, the Deputy

Secretary of State, called for an expanded role for U.S. agencies in assisting anti-Communist groups in Eastern Europe:

One of the things we need to do—and President Bush is clearly on that road with regard to Poland and Hungary—is to establish a mechanism within the government that helps provide the opportunity for the private sector to engage itself directly in the Polish experiment, the Hungarian experiment or other experiment [*sic*] that are about to take place in Eastern Europe.⁵⁶

Speaking at the same meeting, Carl Gershman, the President of the NED, told his audience that the Endowment was already “deeply engaged” in the election process in Czechoslovakia.⁵⁷

What is striking...is that so many public agencies and private organizations are doing exactly what intelligence agencies have done in the past.

Conclusion

The fact that the Reagan administration set out to destabilize the Soviet Union in the early 1980s is startling in itself. The ambitiousness and scope of the “full court press” have no historical precedent in modern U.S. foreign policy. At the same time, it is difficult to know exactly how to assess the effects of these U.S. policies on the Soviet Union. Obviously a number of factors have contributed to the present chaos in the Soviet Union and to the effort to reintroduce capitalism there.

Thus the internal situation in the Soviet Union might well have led to a deepening crisis over the years, even without U.S. pressure and manipulation. However, change might not have gone as far as it has, or gone so rapidly. And it might be that the new Soviet leadership would have chosen to remain within the bounds of socialism, something which it now appears to have rejected. Rubinstein may be overstating the case when he says that “the key difference in Soviet policy...is to be explained, not by further deterioration of the Soviet economy, but in changes in U.S. foreign policy.” But he may not be far off the mark. U.S. policies have undoubtedly helped to move things very far very fast in the Soviet Union, particularly in recent years when aid to the anticommunist opposition has involved annual expenditures in the tens of millions of dollars.

There needs to be further investigation of the facts before we can properly weigh the importance of U.S. policy in bringing about “the end of the Cold War.” As this article indicates, there is some question whether the Cold War is indeed over.

Once that issue has been settled, if it can be, a host of additional facts deserve consideration, not the least of which is the fact that the cost of the “full court press” undoubtedly helped to create economic chaos in our own country. ●

53. *Ibid.*, p. 55.

54. *Ibid.*, p. 59.

55. *Ibid.*

56. Proceedings of the conference on “Public Diplomacy in a New Europe,” United States Advisory Commission on Public Diplomacy, Washington, D.C., 1990, p. 103.

57. *Ibid.*, p. 81.

Balkan Nationalists Peddling Fascism

by Howard Goldenthal and Russ Bellant

In the hyperbole accompanying the political transformation in Europe, some ugly side effects have been overlooked. Rightwing political activity reminiscent of the early part of the century is finding an audience again.

Iron Guard Redux in Romania

Last March, Moses Rosen, Romania's chief Rabbi, traveled to Washington with an urgent request. In the Romanian city of Tirgu Mures, pogroms were being directed against the Hungarian minority. Six Hungarians had been killed. Rosen asked the State Department to prevent the exit from the U.S. of Romanian exiles who were returning home to foment old hatreds—hatreds typified by the Iron Guard.

To older Romanians and students of European history, the legacy of the Iron Guard is truly grotesque. Its members were responsible for violence so savage that they reputedly offended the Nazis. Forty-five years later, young toughs describing themselves as Iron Guardists were taking credit for the murders in Tirgu Mures. According to Cazimir Ionescu, then vice-president for the socialist National Salvation Front, an Iron Guard propaganda campaign had been under way since the December overthrow of Ceausescu.¹

At the time of the Tirgu Mures violence, interim president Petre Roman expelled three Romanian-Canadians for promoting fascist ideas. One of those expelled was George Belasu, well known in the Romanian community in the West as editor of the pro-Iron Guard *Romanian Voice*. The Hamilton, Ontario based paper supports Valerian Trifa, head of a faction of the Romanian Orthodox Church dominated by Iron Guardists.² Trifa fled the U.S. in 1984 after the Justice Department's Office of Special Investigations found evidence implicating him in a Bucharest pogrom in 1941.³

Good press is not the only support such groups are receiving from the West. Vatra Romanesca, an extreme-right organization including Iron Guardists recently boasted it had financial backing from "influential political figures at home, [and] several more or less clandestine organizations abroad, particularly French and Canadian ones."⁴

Iron Guardists are also part of the leadership of the National Christian Peasants Party. The NCPP is virulently nativist and anti-Semitic, and has been linked to violence against Hungarian farmers.⁵

Howard Goldenthal writes for the Toronto-based weekly newsmagazine *NOW*. Russ Bellant works with Political Research Associates.

1. *Toronto Star*, March 21, 1990.

2. *Toronto Star*, March 23, 1990.

3. Jack Anderson and Dale Van Atta, "Warm Praise for Heroes," *Washington Post*, September 7, 1986.

4. From Vatra Romanesca's "Secret Program Statement," of February 20, 1990. Hungarian Human Rights Foundation transcript.

5. *Newsweek*, May 7, 1990.

Ethnic Separatism Returns to Czechoslovakia

Slovakian exiles in Canada are playing a key role in trying to bring about a separate Slovak republic modeled on the one formed in March 1939 by the extreme-right cleric and Nazi collaborator Jozef Tiso. Tiso oversaw the transportation of thousands of Slovak Jews to German death camps. He was executed in 1947 by the non-communist government of Edward Benes. Some of Tiso's friends were more fortunate: assisted by the Vatican and U.S. and British intelligence, many former officials of the collaborationist Hlinka party were smuggled west, and quietly renewed their political activities.⁶

In 1971, uranium magnate Steve Roman formed the Slovak World Congress in Toronto with the help of Hlinka collaborators like Ferdinand Durcansky, the Nazi Foreign Minister sentenced to death for treason and his underling Jozef Kirschbaum, on the run from a 20-year sentence for his role as Secretary General of the party.⁷ The Vatican has maintained its close connections with the Hlinka front group. In 1984, while on a visit to Canada, Pope John Paul II took time out of his busy schedule to visit Roman's Cathedral located just outside of Toronto.⁸ Roman died in 1988.

Last March, Rev. Dusan Toth, Secretary General of the Slovak World Congress, addressed a crowd of nearly 100,000 supporters in Bratislava.⁹ Toth, former head of Protestant religious programming for Radio Free Europe, found rightist separatism still a potent force in Slovakia.¹⁰ Elsewhere, Toth's message and activities would be considered a threat to national security, but last February, Toth was appointed a member of a group of foreign advisers to President Vaclav Havel.¹¹

Last May, Alexander Dubcek, Havel's vice president visited Toronto and attended a meeting of the Slovak World Congress. Dubcek, a Slovak, is best known as the leader of Czechoslovakia's Prague Spring in 1968. Dubcek's liberalization program was smashed when Moscow ordered troops into Prague and the government was overthrown.

Another Nazi collaborator and separatist who came back from the West looking for a state, was Ivo Omrcanin, an official during the war with the Foreign Ministry of the state of Independent Croatia. After the war, Omrcanin helped other Nazis, including Ustasha president Ante Pavelic and Klaus

6. Confidential report by historian Alti Rodal for the Deschenes Commission Inquiry into War Criminals in Canada, 1985.

7. Paul McKay, "The Kirschbaum File," [Ontario] *Kingston Whig-Standard Magazine*, December 10, 1988.

8. Transcript of the address by Pope John Paul II to a meeting with the Slovak Community of the Byzantine Rite, Unionville, Ontario, September 15, 1984, Canadian Conference of Catholic Bishops.

9. Genya Intransor, "Welcome for an Exiled Hero," *Toronto Sun*, March 25, 1990.

10. Jack Anderson and Joseph Spear, "Appointees' Tie to Slovak Group Studied," *Washington Post*, July 22, 1986.

11. *Op. cit.*, n. 9.

Barbie, escape to Latin America.¹² While in the U.S., Omrcanin took part in events sponsored by the quasi-Nazi Institute for Historical Review.¹³

In an interview with the Yugoslav magazine *ST*, Omrcanin said he had returned to Croatia to register a new political party; he blamed Jews for massacres against Croats during the war; he claimed Jasenovac, a concentration camp set up to handle Jews and Serbs, was a Hollywood production. "You can see how big of an imagination these Jews have when they make cartoons. Those are all made by Jews."¹⁴

Separatist Organizing in the Ukraine

Rightwing separatists have become active in the Ukraine with help from Ukrainian Americans. As in the 1930s, the separatist banner is carried by the Organization of Ukrainian Nationalists (OUN). During the war, the OUN collaborated with the Nazi occupation politically and militarily, and participated in the elimination of Ukrainian Jews.¹⁵

After the war, OUN militants were recruited to carry out a clandestine war against the U.S.S.R. Others found their way to the West, where they resumed political activity. Since the war, the OUN has been the backbone of the Anti-Bolshevik Bloc of Nations (ABN), a coalition including the Iron Guard and the Hlinka party. The OUN and the ABN have been leading public opponents to the Office of Special Investigations.¹⁶

For the young, OUN has a new organization called the Union of Independent Ukrainian Youth, inspired by the wartime OUN leader Stepan Bandera.¹⁷

In addition, rightwing Ukrainian-Americans were involved in the March elections. Askold Lozynskij, general counsel for the OUN-dominated Ukrainian Congress Committee of America, and other activists were sent by the Washington-based Free Congress Foundation (FCF).¹⁸

Hungary's Arrow Cross

The FCF was also involved in the March elections in Hungary. In a bitter contest, the Democratic Forum, the party which would eventually win the contest, used anti-semitic slurs against its rival, the Alliance of Free Democrats.¹⁹ Aid for the Forum has come from far-right Hungarians exiled in the U.S. including Laszlo Pasztor, a youth leader of the Arrow Cross during the Second World War.²⁰ The Arrow Cross was Hungary's Nazi party which came to power in 1944. Pasztor

served five years in a Hungarian prison after the war for his wartime activities at the Hungarian embassy in Berlin.

A Nazi past proved no great obstacle to success in the U.S. Pasztor was selected by Richard Nixon in 1969 to recruit rightists from other Eastern European communities to work for the Republican party. Some of those recruited were committed Nazis. One of them, Boleslavs Maikovkis, a former Latvian police officer, was accused by the Office of Special Investigations of being a war criminal.²¹ In 1988, Pasztor was one of six members of the Bush election committee forced to resign because of their Nazi affiliations.²²

Pasztor now directs the FCF's East European activities. He has also advised the National Endowment for Democracy on funding Hungarian political parties. The FCF sent a team to Hungary to teach the Democratic Forum election techniques.²³

Latvian Activities

Only recently have far-right activists managed to get into the Soviet Bloc. In October 1988, the Soviet Union prevented Latvian exiles from Canada and the U.S. from attending the founding convention of the Latvian People's Front. One of those prevented from boarding the plane was Linards Lukss, chair of the World Federation of Free Latvians.²⁴

Lukss, a Toronto physician, is well known in anticommunist circles. He is the president of the Captive Nations Committee in Canada, an organization closely affiliated with the ABN.

Lukss's cleverest accomplishment to date was to help found the International Black Ribbon Day Committee in 1986, a Toronto-based operation which is officially opposed to both Nazism and Communism, but welcomes the support and participation of the Hlinka-dominated Slovak World Congress, the OUN-dominated World Congress of Free Ukrainians, and the far-right Hungarian Freedom Fighters World Federation.²⁵

Why?

Whether the political activities of these organizations and individuals will gain a following in Eastern Europe or the Soviet Union is debatable. What the U.S. seeks by promoting them ought to be subject to open debate. The silence is deafening. ●

12. Christopher Simpson, *Blowback* (New York: Weidenfeld and Nicholson, 1988), p. 185.

13. Omrcanin writes for the Institute for Historical Review publication *Journal for Historical Review*, and is a member of the editorial board.

14. "Ustasha Accuses the Jews" (Yugoslavia) *Politika*, March 17, 1990.

15. Scott and Jon Lee Anderson, *Inside the League* (New York: Dodd Meade, 1986).

16. Russ Bellant, *Old Nazis, the New Right and the Reagan Administration*, second edition (Cambridge: Political Research Associates, 1989).

17. *New York Times*, March 26, 1990.

18. Liz Twardon, *Detroit News*, February 26, 1990.

19. Patrick Barnard, "Does Tomorrow Belong to Them?," *The Nation*, July 30/August 6, 1990.

20. Randolph Braham, "Boring From Within," *Midstream*, June-July 1989.

21. David Lee Preston, "Nazi Affiliated Emigres in the Republican Party," *Philadelphia Inquirer*, September 18, 1988.

22. "Sixth Aide Quits Bush Ethnic Coalition," AP, September 14, 1988.

23. Chip Berlet and Holly Sklar, "Harbinger of Democracy," *The Nation*, April 2, 1990.

24. Nicolas Van Rijn, "Soviets Cancel Latvian Exile's Visit to Capitol," *Toronto Star*, October 9, 1988.

25. "Peace With Freedom," *Canadian Black Ribbon Day Newsletter*, November 1986.

The Free Congress Foundation Goes East

by Russ Bellant and Louis Wolf

*"Gorbachev himself has mentioned the possibility that he could be removed in as little as two years. Now that there is no real prospect that any replacement for him would try to stop the counter-revolution, it is likely that any replacement would move faster. And that is what Russia — and the world — needs."*¹

With the rapid pace of political change sweeping Eastern Europe and the Union of Soviet Socialist Republics, many opportunities have emerged for western interests to intervene in the politics of that region. In some cases, such a vacuum has been created that virtual strangers to the area several years ago are now able to actively participate in changing those societies from within.

These interventions are not only being practiced by mainstream organizations. The involvement of the United States Far Right brings with it the potential revival of fascist organizations in the East. One U.S. group, the Free Congress Foundation, has been playing a role in Eastern European and Soviet politics and has ties to Boris Yeltsin and the Inter-Regional Deputies Group (IRG) in the U.S.S.R.

The Free Congress Foundation (FCF) was founded in 1974 by Paul Weyrich as the Committee for the Survival of a Free Congress. Weyrich, who had started the Heritage Foundation the year before, was heavily funded by the Coors family for both organizations.²

Weyrich has kept one foot in the right wing of the Republican Party while dallying with the racist Right and the extreme Christian Right. In 1976, for instance, he and a handful of other New Rightists (William Rusher, Morton Blackwell, Richard Viguerie) attempted to take over the segregationist American Independent Party (AIP), formed by George Wallace in 1968. The AIP was an amalgam of Ku Klux Klan and John Birch Society elements.³ In 1982, Weyrich published an essay in which he stated, "Culturally destructive government policies — racial hiring quotas and busing come to mind as examples — are to the New Right more immediately important in the realm of action, since the damage they can do is enormous and practically irremediable." This apparent defense of "white culture" is dangerously close to theories ad-

vocated by white supremacists today.⁴

FCF's direct involvement in Eastern Europe began about a year ago, at the urging of one of its directors, Robert Kriebel, a retired Connecticut businessman. His Kriebel Foundation backed efforts in late 1989 to send Weyrich and four associates to Hungary, and the Soviet Union, including Estonia, to help train rightwing leaders in ideological and electoral matters.

Weyrich stated upon his return that his visit to Moscow was "the most incredible experience of our lives." There, he worked with the IRG of the Supreme Soviet, a leadership body of the Communist Party. He says that they were unequivocally in favor of private property, a market economy, and the restoration of religion.

The IRG was established by Andrei Sakharov, Boris Yeltsin and others in the summer of 1989. By the end of that year, a training school had been established for candidates to put forward the IRG program. Their electoral success this year propelled Yeltsin to the leadership of the Russian Soviet Socialist Republic. He immediately began forging collaborative relationships with the deeply reactionary leaders of the Lithuanian *Sajudis* party. The IRG has also served as a source of rightwing pressure on Gorbachev to dismantle socialism and the Soviet Union itself.

One of the key dangers in this agenda is the political vacuum it creates, allowing ultra-nationalist forces in a number of republics to increase their influence and possibly take power. Such nationalist and fascist elements are already evident in Lithuania and the Ukraine. In the latter republic, the pro-Nazi Organization of Ukrainian Nationalists (OUN) has gained influence in several parties and has mobilized large demonstrations that honor OUN leaders who abetted Hitler's war on the eastern front. Similarly, several *Sajudis* deputies served in German-supported military units in 1944, and *Sajudis* has made declarations against ethnic Russians living in Lithuania. According to some reports Poles have also been denigrated.

It should also be noted that "radical reformer" Boris Yeltsin has dallied with *Pamyat*, the foremost Russian fascist group to emerge in the last several years. *Pamyat's* virulent anti-Semitism compares to the crude propaganda of the early German Nazi Party in the 1920s.

The FCF is not entirely disconnected from the history of the OUN. The treasurer of the FCF board is George-Washington University professor Charles Moser. Moser also serves on the editorial advisory board of the *Ukrainian Quarterly*, published by the Ukrainian Congress Committee of America, a group dominated by the OUN. The *Ukrainian*

4. Paul Weyrich, "Blue Collar or Blue Blood? The New Right Compared to the Old Right," in Robert Wytaker, ed., *The New Right Papers* (New York: St. Martin's Press, 1982), p. 53.

Russ Bellant is a researcher. Parts of this article were adapted from the author's chapter on FCF in *The Coors Connection: How Coors Family Philanthropy Undermines Democratic Pluralism*, 1990. Published by Political Research Associates, 678 Massachusetts Ave., Suite 205, Cambridge, MA 02139.

1. Warren H. Carroll, "Toward a Free and Christian Russia," *Policy Insight: The Freedom & Democracy Series on Eastern Europe & The Soviet Union*, Vol. 1, Number 5, Free Congress Foundation, August 31, 1990.

2. Alan Crawford, *Thunder on the Right* (New York: Pantheon, 1980), p. 278.

3. *Ibid.*, pp. 236-7; *Washington Post*, August 29, 1976, p. A3; *Human Events*, September 11, 1976, pp. 3-4.

Quarterly has praised military units of the German SS and otherwise justified the OUN alliance with the Third Reich, which reflects the fact that the OUN was politically and militarily allied with Hitler and the Nazi occupation of the Ukraine.

The OUN, an international semi-secret cadre organization headquartered in Bavaria, has received financial assistance from the late Franz Joseph Strauss, the rightist head of the Bavarian state. Strauss also had a working relationship with Weyrich. Weyrich fed speeches by Strauss, attacking Germany's détente with the U.S.S.R., to U.S. Senators who would then insert them into the *Congressional Record*. When Strauss came to Washington, Weyrich was the person who helped set up his itinerary.⁵

Another indicator of the anti-democratic character of the FCF's foreign policy is its cosponsorship of *Freedom Fighter* newsletter. *Freedom Fighter*, edited by Charles Moser, is published from FCF offices in conjunction with Jack Wheeler's Freedom Research Foundation. It reports on and supports the military operations of RENAMO in Mozambique, UNITA in Angola, the Nicaraguan *contras*, and similar groups in Southeast Asia, northern Africa and Afghanistan. Particularly telling is their support of the South African sponsored RENAMO operation, which even the State Department has denounced for its scorched earth terror and murder of more than 100,000 Mozambicans.⁶

Despite his long associations with anti-democratic elements, Weyrich has been able to get money from the National Endowment for Democracy (NED), the congressionally-funded agency designed to intervene overtly in the politics of other countries. Most recently, he was granted \$40,000 to pass along to the Initiatives Foundation in Moscow, which is a non-profit affiliate of the IRG. The money is intended to assist in the purchase of communications hardware, including facsimile machines, duplicators, computers, desktop publishers, video cameras, and VCRs and supplies.

In a recent fundraising appeal sent to select potential donors, Weyrich claimed that in every election except Romania, every group they trained won the elections. In a videotape accompanying the letter, he says that FCF trained Boris Yeltsin's campaign manager.

Paul Weyrich has voiced skepticism about the intent of Ronald Reagan's White House heir to perpetuate the ultra-conservative agenda: "Whether George Bush will rise to the occasion is another question."⁷ With this distrust of his party's leaders and of the government's program in Eastern Europe, Weyrich decided in 1989 to join forces with his closest allies in establishing FCF's newest "center," the Center for Freedom and Democracy. This center will work full-time on Eastern Europe and the Soviet Union to "train opposition leaders in the principles and mechanics of democracy."⁸

5. *Washington Post*, May 7, 1975, p. A5.

6. Robert Gersony, "Summary of Mozambican Refugee Accounts of Principally Conflict-Related Experience," Department of State, April 1988.

7. "Rochelle L. Stanfield, 'Organizing a Revolution,' *National Journal*, March 18, 1989, p. 678.

8. "1989 Annual Report," Free Congress Foundation, p. 12.

Another objective of the Center's programs is: "...teaching free market principles, the Foundation is helping to create economic opportunities for American companies."⁹ The budget of the Center is approximately \$450,000.

In 1989-90 the FCF conducted training programs in:

- **Budapest, Hungary, November 1989:** FCF representatives trained leaders of the Hungarian New Democratic Forum, the Small Holders Party, and the Christian Democratic Party. Free Congress credits itself with enabling the three parties to gain 231 out of 386 seats in the Hungarian Parliament.
- **Moscow, Soviet Union, November 1989:** Over 4 1/2 days in training sessions co-sponsored by FCF and the Academy of National Economy under the Soviet Council of Ministers, some 80 Soviets — one-fourth of whom were members of the Supreme Soviet or the House of Deputies and members of the key opposition force IRG — were given intensive indoctrination in "levels of political thinking, development of tactics, strategy, goals, and decision making in a campaign." The participants were trained in "the political techniques of recruitment of volunteers, organization of volunteers, identification and turnout of volunteers, election day activities, the building of coalitions and methods of communicating with the voters." FCF says unabashedly: "[W]e trained the Yeltsin group in its effort to win control of the Russian Republic."¹⁰
- **Tallinn, Estonia, November 1989:** Over a four-day period FCF trainers met with some 70 members of opposition groups whose main agenda is independence from the U.S.S.R. FCF set forth information on "political strategy and organizational politics." The Estonian Heritage Society, the Estonia National Independence Party, the Popular Front in Tallinn, and the Estonia Citizens Committee provided the trainees.
- **Leipzig, East Germany, February 1990:** FCF representatives met with two conservative groups that were part of an anti-left alliance, the Democratic Awakening Party and the Democratic Social Union. Their discussions focused on "American political techniques" for application during the March 1990 elections. When FCF's people saw how cheap postage was in East Germany, they decided, on the spot, to teach their students the techniques of U.S.-style direct mail campaigning. "Our contacts in East Germany have since indicated that the advice of the Foundation was in their opinion beneficial to the unexpected success they achieved in their elections." In September, FCF hosted a small group of East German opposition figures in Washington, and is planning another meeting in Germany in January.
- **Bucharest, Romania, March 1990:** Some 80 members

9. Internal Center for Freedom and Democracy fundraising document, September 1990.

10. All of the quotations in this and the following bulleted paragraphs are taken from "Summary of Activities," Center for Freedom and Democracy, Free Congress Foundation, approximately September 1990.

of more than a dozen opposition groups were given a four-day seminar on "the political skills to win elections," and "free enterprise and the need for entrepreneurship." Participants were from the National Peasants Party, Free Students Union of the Polytechnical University, Students League, Human Rights League, National Liberal Party, National Salvation Front, and Christian Social Democratic Party. Only a month prior to this meeting, the FCF opened a "field office" in Romania to develop new contacts.

- **Zagreb, Yugoslavia, April 1990:** In the Croatian capital of Zagreb, FCF staffers met with members of the Croatian Democratic Union for discussions in "political techniques," "governing," and building relationships between the regional and federal governments. The group "strongly requested" that the Free Congress people return to convene a conference on governing, to include Croats, Slovenes, Serbs, Montenegrins, and other ethnic groups.
- **Prague, Czechoslovakia, April 1990:** From Zagreb the same FCF team moved to Prague to convene a conference on "techniques, strategies, goals, and objectives in elections" and on "the establishment of democratic institutions." Attending the conference were some 50 persons representing dissident groups such as: the Civic Forum, Public Against Violence (a "parallel organization to the Civic Forum in Slovakia"), Christian Democratic Movement, Christian Democratic Union, Social Democrats, Republican Party of Czechoslovakia, Pan Europe Union, Democratic Initiative, and People for Active European Federation. A follow-up training program in the country was organized in July.
- **Moscow, Leningrad, and Sverdlovsk, Soviet Union, April 1990:** Building on the close working relations that had developed between the Free Congress Foundation and the Inter-Regional Group, some 60 people in Moscow were divided into small groups and taught through role-playing exercises. These exercises focused on governing at the executive, legislative, and judicial levels of local, regional and national government. In Sverdlovsk, 235 persons performed similar role-playing exercises. In Leningrad 45 people attended with the FCF personnel playing the role of the judiciary. In these meetings, participants were lectured about "how free enterprise operates."
- **Sofia, Bulgaria, August 1990:** Paul Weyrich and other FCF staff, together with Robert Kriebel and Detroit businessman Don Fisher, met with approximately one-third of the opposition members in the Parliament. The meeting was attended by Dimitar Loudjev, chief political adviser to President Zhelyu Zhelev.¹¹

Most recently a delegation of six senior Soviet political and economic opposition figures and officials met in Washington, D.C. with senior-level U.S. officials at a conference entitled "The Coming Russian-American Alliance in the Post-Com-

munist Era." The October 2-4 conference, co-sponsored by FCF and Independence University, was closed to the media.¹² The delegates were treated to a one-hour meeting with Vice



Credit: Free Congress Foundation

Paul Weyrich (at left) receives IRG executive secretary Arkady Murashev (second from right), and his two aides.

President Dan Quayle.

The Soviet participants included Arkady Murashev who has been schooled by FCF in Moscow. Murashev is the executive secretary of Yeltsin's IRG. Also in attendance were Yeltsin's chief of staff Gennadi Burbulis, National Security Commission chair and former Soviet Navy lieutenant-commander Vladimir Lopatin, Minister of Publishing and Information Mikhail Poltoranin, People's Deputy and head of the Siberia legislative district Stanislav Seleznev, and Commission on Economic Reform chairman S. Sulakshin. Boris Yeltsin, recently injured in an automobile accident, sent a letter to the combined delegates stressing his political program. "We seek to create an economic system based upon universal market mechanisms and the sacred right of every person to property. The entrepreneur will become the chief actor in our economy."¹³ Those in attendance from the U.S. included housing and urban development secretary Jack Kemp, assistant secretary of state John Bolton, deputy energy secretary Henson Moore, assistant commerce secretary for international economic policy Tom Duesterberg, former assistant secretary at the Pentagon Richard Perle, former assistant attorney general William Bradford Reynolds, Burton Yale Pines of the Heritage Foundation, former Governor of Delaware Pierre "Pete" DuPont, and two longtime Cold War advocates from local academia, Charles Moser and Peter Reddaway. Notably, *CAIB* has learned that FCF coordinated the arrangements for the Soviets' visas directly with Dan Quayle's office rather than through the State Department.

What the U.S. Has to Offer

Arkady Murashev has visited FCF's Washington office three times during visits to the U.S. Further, Weyrich has noted that leaders of the newly-formed Russian Christian

11. "Politics, the Middle East and Eastern Europe," *The Weyrich Insider*, Vol. 2, Number 8, August 30, 1990, pp. 4-6.

12. Press release, Free Congress Foundation, September 20, 1990.

13. Letter from Boris Yeltsin, "To the Participants in the Conference on the Coming Russian-American Alliance," October 1990.

Democratic Party came to FCF offices in July. They told the FCF their party platform and their belief that "only a religious and moral rebirth will open the pathways to beneficial transformations." President Zhelyv Zhelev of Bulgaria was also received at FCF in September.

Those seeking guidance from the FCF for a "religious and moral rebirth" would be well advised to consider the company that FCF keeps.

The Free Congress Foundation is generally identified with the "secular" New Right rather than the "Religious" New Right, but in fact it melds both currents of rightist activity. Although structurally one organization, FCF could be seen as a dozen semi-independent groups housed in one office complex and with one boss.

The FCF divides many of its activities into "Centers." There are centers for Government and Politics; Law and Democracy; Cultural Conservatism; State Policy; Conservative Governance; Child and Family Policy; Foreign Policy; Transportation Policy; Catholic Policy; and the new Freedom and Democracy.

In the FCF's 1988 Annual Report, the Center for Catholic Policy states: "The public policy influence and activity of the Catholic Church in America often runs counter to the interests of Catholic laity. The Center for Catholic Policy seeks to instruct conservative Catholic laity how to become influential in shaping public policy stands taken by the Church." The FCF report says that a "network of some forty national Catholic organizations, institutions and publications which share a generally conservative viewpoint" was formed by FCF in January 1988, and called the Siena Group.

According to the FCF:

Among the top priorities of the Siena Group in 1988 was mobilizing opposition to a US Catholic Conference statement on AIDS policy which was favorable to the objectives of the gay and lesbian rights movement. Siena Group participants convinced the bishops to set aside the AIDS document.

Finally, FCF's insinuation into the politics of the East must be judged by their selection of Laszlo Pasztor to head their Liberation Support Alliance, "which seeks to liberate peoples in Central and Eastern European Nations."¹⁴

Pasztor's involvement in East European politics began in World War II when he joined the youth organization of the Arrow Cross, the Nazi party of Hungary. When the Arrow Cross was installed in power by a German commando operation, Pasztor was sent to Berlin to help facilitate the liaison between the Arrow Cross and Hitler.

Pasztor was tried and served two years in jail for his Arrow Cross activities after an anticommunist government was elected in Hungary in 1945. He eventually came to the U.S. and established the ethnic arm of the Republican National Committee for Richard Nixon. He brought other Nazi col-

laborators from the eastern front into the GOP. Some were later found to have participated in mass murder during the war.

The dormant Arrow Cross has surfaced again in Hungary, where there have been attempts to lift the ban on the Nazi organization. Pasztor spent several months in Hungary. When Weyrich later conducted training there, he was provided a list of Pasztor's contacts inside the country. Weyrich reports that he conducted training for the recently formed and now governing party, New Democratic Forum.

Pasztor claims to have assisted some of his friends in Hungary in getting NED funding through his advisory position with NED. In 1989 he spoke at the Heritage Foundation under the sponsorship of the Anti-Bolshevik Bloc of Nations (ABN), a multinational umbrella organization of emigré fascists and Nazis founded in alliance with Hitler in 1943. It is led by the OUN. Pasztor spoke for the "Hungarian organization" of ABN,¹⁵ which is the Arrow Cross.

Conclusion

Those leaders and cadre trained over the last year by Free Congress Foundation's traveling tutors were led by Paul Weyrich and company to believe in themselves and the goals set before them. However, they aren't on Weyrich's mailing list of key opinion shapers, so they aren't aware of his real assessment of them:

But of course, Communists will behave as Communists and they are going to try to undercut democratic forces whenever they can. Democratic leaders such as Havel, Zhelev, or Landsberger [*sic*] are not entirely prepared to cope with such situations. In fact, former Communists such as Boris Yeltsin appear to be more capable of producing real change than these Eastern European leaders are mainly because, as Communists, they learned how to use power. There are only a few non-Communists, like Arkady Murashev, who know how to do things right.¹⁶

FCF's involvement in Eastern Europe has begun as a result of their expertise in electing U.S. conservatives to office. This campaign expertise has enhanced their reputation in national politics. But their ties, which suggest an ultimately anti-democratic agenda, including their emigré fascist and Christian fascist involvement, have gone unexamined. FCF's advocacy of a narrow range of social conformity and literal repression of non-conformists in the U.S. can be found in their detailed literature on the subject.

It is reasonable to expect that those in the East seeking aid for the new arena of electoral activity may not know FCF's deeper agenda. It is up to Americans to communicate that warning, and to challenge NED tax dollars to FCF that certainly legitimize it in the eyes of some political groups in the East.

14. Coalitions for America brochure, undated. For background on Pasztor, see Chip Berlet and Holly Sklar, "Harbinger of Democracy? The NED's Ex-Nazi Adviser," *The Nation*, April 2, 1990, pp. 450-51.

15. *ABN Correspondence* (bimonthly journal), May-June 1989, p. 14.

16. *Op. cit.*, n. 11, p. 9.

C.D. Jackson: Cold War Propagandist

by Blanche Wiesen Cook

Political warfare has operated within the context of propaganda and tragedy with increasing intensity and technological cruelty for most of the 20th century. Impressed by the power of Joseph Goebbels, the Nazi master of the twisted word, new practitioners of the art began to flourish after World War II in Washington, New York, and in U.S. embassies and press rooms throughout the world. They were the disciples and heirs of a virtually unknown and entirely uncelebrated publicist, C.D. Jackson (CDJ), who did much to create and shape the art of 20th century political warfare.

Political warfare traditionally begins with words. The goal is not to bomb and destroy, but to woo and seduce. Historically, U.S. political warriors like C.D. Jackson regarded recourse to military solutions a sign of failure for their team. With the increased militarization of U.S. foreign policy that is no longer the case. Nevertheless, the militarists have learned from the political warriors. In every area of the globe, on any issue: First comes the lie.

Words, however used, comprise the vertebrae of political warfare. Today a phenomenon wildly out of control and everywhere propped up by unprecedented military support, propaganda continues to follow many of the patterns created by C.D. Jackson during the Eisenhower administration.

In May 1983, Ronald Reagan introduced "Project Democracy." He called for \$65 million to support "free labor movements" and friendly political parties throughout the Americas and everywhere else possible. He called for a huge budget increase for Radio Free Europe (RFE), which broadcasts to the Warsaw Pact nations, and Radio Liberty, which broadcasts within the Soviet Union. He also called for the creation of Radio Martí to beam directly to Cuba, and an expanded television satellite effort to popularize U.S. policies in sensitive areas.¹

Every one of these projects represent a simple expansion of C.D. Jackson's vision, which became official U.S. policy shortly after World War II. Working almost entirely from behind the scenes, CDJ wrote and directed much of that play called "the game of nations."

For over 15 years CDJ orchestrated America's "struggle for the minds and wills of men," and presumably women. He coordinated diplomacy as publicist and planner for all of the U.S.'s psychological warfare strategies on behalf of "The American Century."

Blanche Wiesen Cook is a professor of history at John Jay College and the Graduate Center, CUNY. Journalist and activist, she has been a syndicated columnist, producer and broadcaster with Pacifica Radio; she is co-chair of FOIA, Inc., and is on the board of the Institute for Media Analysis. A version of this article appeared in *Radical History Review*, #31, 1984.

1. "Struggle for Ideas: Fearing Soviet Gains, U.S. Mounts Counterattack on Several Fronts of Propaganda War," *Wall Street Journal*, May 17, 1983.

Although one of the most significant figures in U.S. Cold War history, C.D. Jackson has remained strangely unknown, his activities largely unrecognized. As publisher of *Fortune* magazine and vice president of Henry Luce's Time-Life empire, CDJ was in the unique position to promote a vital partnership between business and government.

The Committee for a Free Europe

Financed by and directly affiliated with the CIA, both the National Committee for A Free Europe (NCFE), of which CDJ became president in February 1951, and the Crusade for Freedom, chaired by General Lucius Clay, were organized as private, independent agencies. The NCFE created the Crusade for Freedom to erect "a spontaneous movement" to promote the idea of freedom, to raise independent money, and to "build up the prestige" of Radio Free Europe, NCFE's most important operation.

The Crusade was to wrap a protective cloak around the activities of NCFE by enabling it to appear as a popular movement that involved all virtuous American citizens. It was considered "extremely important that Negroes and women" participate. For success, CDJ believed, it was necessary for psychological warfare activities to appear to be independent from government; to seem to represent the spontaneous convictions of millions of freedom-loving individuals.

CDJ's formula was: "Adequate funds"; and the "freedom to operate on a 'no-holds-barred' basis" with "no questions asked." A major benefit to NCFE's undercover appearance as a private, independent corporation was that government agencies could claim ignorance and irresponsibility for a variety of bizarre and wide-ranging programs.²

NCFE and the Crusade for Freedom were organized "to liberate" central Europe. Conquered and named "satellites" by Hitler, liberated by Russia during World War II, they were acknowledged as part of the Soviet defense perimeter at Yalta by Churchill, Roosevelt, and Stalin, and subsequently by the Allied representatives at Potsdam. Now, the Crusade for Freedom brochures explained, the Nazi yoke has been replaced by the communist yoke and "80 million sturdy people living between Germany and Russia are still in bondage."

NCFE vowed "To Halt Communism and Save Freedom." The entire media establishment got involved. Along with assorted diplomats of distinction, like Eisenhower, Allen Dulles (chairman, executive committee) and Joseph Grew (chairman of the Board), there were liberals with New Deal credentials like Herbert Lehman and A.A. Berle. Then there was Cecil B. DeMille.

2. C.D. Jackson to William Daugherty, operations research officer, July 17, 1952.

Henry Luce, Spyros Skouras, and Darryl Zanuck

NCFE began its work by supporting anticommunist exiles "materially and spiritually" through the Division of Intellectual Cooperation. This Division provided "constructive work" for exiles until they would resume "once more their democratic leadership" in central Europe. In cooperation with the Library of Congress, the Division created a research center in Washington where the exiles analyzed and indexed Soviet laws, and did research for members of Congress. Study centers and agencies for lecture tours for the exiles mushroomed. The Free University in Exile was created. Located in Strasbourg and incorporated under the Educational Law of New York State in 1951, the Free University was to prepare "young exiles...to take over the leadership of their liberated countries."



Credit: Associated Press

C.D. Jackson.

The National Councils Division represented associations of politicians in exile. Exiles from "each imprisoned country" provided "the formal basis of cooperation" and contact between the U.S. and democrats "now submerged" in their homelands. CDJ considered the Councils not quite governments in exile, but power centers capable of filling the power vacuum that would follow liberation. The exiles represented "symbols of hope" and courage for the millions who might choose also to pass through the Iron Curtain.

Radio Free Europe was considered the most significant part of the entire operation. To begin where the official U.S. propaganda broadcast network Voice of America left off, RFE would be "relieved of official limitations." According to its creators, RFE would preserve "the Western democratic tradition in Eastern Europe."

Crusade for Freedom literature announced "The Struggle for the Souls of Men" in immediate terms: "At this very moment it is being decided what kind of a world your children and grandchildren are going to live in. It is not a question of whether industry is to be more or less nationalized.... The alternatives before us are extreme and one of them revolting. Are your children's souls going to be crushed under the tyranny of a Communist totalitarianism? Or shall we pass on to

them the American heritage of freedom?"³

RFE inaugurated its broadcasting transmitter in Munich on May Day 1951. The first international transmitter broadcast only to Czechoslovakia. By the end of the summer additional transmitters broadcast to Hungary and Poland. The radio was chosen as "the great psychological warfare weapon" to stimulate revolt. RFE was to become the psychological front-line of counterrevolution through seduction (the prospect of material comfort, American commodities, culture and fashion) and through fear (the prospect of an enslaving death-dealing communism). RFE featured music and news, "skits," "satires," and "talks by exiled leaders." In addition, RFE monitored the broadcasts of all central and eastern Europe, and managed, through careful timing and political emphasis, the use of information derived from the intelligence community.

In April 1951, for example, RFE discovered that Czechoslovakia planned to devalue its currency. For seven months intelligence operatives watched the currency situation. Finally in January 1952 RFE warned its listeners of the situation, stimulating "a nationwide buying panic in Czechoslovakia."

Besides exacerbating tensions between the U.S. and the Soviet Union, a variety of RFE stunts created new tensions between the U.S. and its allies. According to CDJ, one of RFE's goals was "to sow confusion among the local communists, to warn them that a day is coming when even their Russian masters can't save them." The U.S. involvement in local situations exaggerated and reinforced all internal problems. The goal was to make communists, whether in England or in Poland, look silly, undignified, bestial or insignificant. Dirty tricks and disinformation, election frauds and peculiar accidents were employed. The road to full-scale destabilization was under way.⁴

These activities were part of the U.S.'s official Cold War effort. The CIA and the State Department were directly involved in the planning and the programs of the NCFE and the Crusade for Freedom. When CDJ resigned from the NCFE to join Eisenhower's official campaign team, he wrote a letter thanking both CIA director Walter Bedell Smith and his associate Allen Dulles for their support. This exchange of letters, only recently declassified, demystifies the long-guarded secret relationship between the CIA and RFE.

CDJ's "personal note of thanks" to Smith was written on his return from "a ten-day blitz of our European installations" to assess "the entire operation." He "was tickled silly at what we have all been able to do in one year."

When communist governments officially protested RFE's

3. CDJ's papers are in the Dwight D. Eisenhower (DDE) Library, Abilene, Kansas. I am grateful to Mrs. C.D. Jackson for permission to examine these records. Citations are to CDJ Papers unless otherwise noted. NCFE and Crusade for Freedom Pamphlets are in the CDJ Papers, box 74.

4. For a discussion of political warfare in western Europe, and notably the manipulation of elections, see Philip Agee and Louis Wolf, eds., *Dirty Work: The CIA in Western Europe* (Secaucus, N.J.: Lyle Stuart, 1978). See also Lawrence Wittner, *American Intervention in Greece, 1943-1949* (New York: Columbia University Press, 1982); and Blanche Wiesen Cook, *The Declassified Eisenhower: A Divided Legacy of Peace and Political Warfare* (New York: Doubleday, 1981, Penguin 1984).

invasion of their national airwaves, the State Department pointed out that the U.S. believed in freedom of speech, and had no jurisdiction over private, independent groups. One can only speculate about what the official U.S. response might have been had the situation been reversed on, for example, the "Balloon" invasion that carried millions of pieces of propaganda deep inside Poland and Czechoslovakia in August 1951. What would the U.S. have done if all these propaganda balloons had wafted over Boston or New Orleans or Dallas or Bayonne.

CDJ was the leading "balloonatic," and was particularly delighted by the success of this project, especially "the helplessness of the authorities to do anything about it." CDJ, Harold Stassen and columnist Drew Pearson released the first balloons on August 19, 1951. Soviet planes attempted to shoot them down. But it was impossible. There were 11,000 balloons carrying 13 million leaflets "to boost the morale of the entire non-Communist population," and to fortify "spiritual resistance" until "the day of liberation."

RFE remained a permanent fixture in the U.S.'s psychological warfare arsenal. CDJ understood that it was a dangerous game. At first he cautioned:

We in America have a romantic penchant for thinking that everything will be all right if we can drop 10 million cigarette-pack size radio receivers behind the Iron Curtain...[while] rapidly approaching a point where radio listening endangers life...we must not toy with this brave listenership.

Ultimately CDJ threw his own note of caution to the winds. To destabilize the agreements made at Yalta, to "roll back" the boundaries of Russia's sphere of influence, became CDJ's chief concern during his official career as chief political warrior on Eisenhower's staff.

As special White House assistant to administer national security strategy, CDJ provided direction for Eisenhower's Cold War planning. The first thing he did was to dismantle Truman's Psychological Strategy Board, created in 1951, and end the use of the words "psychological warfare." Political warfare sounded more benign, and such new agencies as the Operations Coordinating Board sounded more efficient. CDJ had great faith in the sounds of words.

In his new capacity on Eisenhower's staff CDJ attended meetings of the Cabinet, the National Security Council, the Council on Foreign Economic Policy, and the newly-created Operations Coordinating Board—which was to administer political and economic warfare, and to oversee the activities of the CIA, the USIA, and all cabinet departments.

During Eisenhower's presidency, CDJ, William Jackson, Nelson Rockefeller, General Robert Cutler (chairman of the Old Colony Trust Company of Boston), and Gordon Gray

(college president and political warrior) were the most notable special assistants for national security strategy. Their office imagined ways to destabilize communist leaders; liberate communist countries; encourage defection, dissension, and upheaval in the enemy camp; and in every way feasible enlarge the "free world." The new national security establishment defined and designated the target areas for Eisenhower's missions of peace and political warfare. It was responsible for the globalization of America.

One of Eisenhower's first acts in office was to create the International Information Activities Committee, chaired by

William Jackson. Known as the Jackson Committee (because both William Jackson and CDJ were prominent members), its recommendations would influence U.S. foreign policy for decades: "The U.S. as the center of power in the free world is the principal obstacle in the path of the Soviet drive."

The Jackson Committee reported that there was a "psychological" element "to every diplomatic, economic, or military policy and action." As a result the "efforts of all media..." should be used to persuade "the peoples of other nations that their own aspirations for freedom, progress and peace are supported and advanced by the objectives and policies of the U.S."⁵

C.D. Jackson was delighted by Eisenhower's support. Eisenhower considered political warfare "just about the only way to win World War III without having to fight it." Eisenhower did not want psychological warfare to "be the pet mystery" of one department; but "the entire posture of the entire Government to the entire world." To CDJ, Eisenhower's comments represented "The Great Opportunity."⁶

From the beginning, there were disagreements and tensions between CDJ's approach and the State Department's. In May 1952 representatives of State, the CIA, RFE, and members of MIT's Center for International Studies (CENIS) met at Princeton University to establish "overall policy" for Eisenhower. CDJ and members of RFE made suggestions regarding the "ultimate liberation of the enslaved nations" that the State Department feared might create a "dangerous

5. On January 24, 1953, Eisenhower appointed the following persons to the Committee on International Information Activities: William Jackson, C.D. Jackson, Robert Cutler, Sigurd Larmon, Gordon Gray, Barklie McKee Henry, John C. Hughes, and Abbott Washburn. See DDE to James Lay (executive secretary to NSC), January 24, 1953, Whitman, Administration Series, DDE Library, box 30.

On the recommendation of the committee, the entire structure of the NSC was overhauled. To date only the administrative record has been declassified. See Cook, *op. cit.*, n. 4, chapter 5.

6. CDJ to Richard Hollander, January 12, 1953. See especially the report of May 1952 meeting of representatives of State, CIA, RFE, Psychological Strategy Board, MIT's Center for International Studies (CENIS)—a CIA think tank created by Truman, with W.W. Rostow as director. Washburn to DDE, "Development of an Integrated U.S. Psychological Warfare Program," box 69. W.W. Rostow to CDJ, May 12, 1952, box 85; CDJ to DDE, November 21 and 26, 1952, box 52. See excerpts, "Why We are in Danger of Losing the Ideological War with World Communism," discussion between CDJ, Allen Dulles, Edward W. Barrett, *Princeton Alumni Weekly*, March 9, 1951.

crusade" climate that the U.S. "might not be prepared to honor." The State Department and CDJ were more in agreement when it came to his ideas about recapturing the "peace offensive" from the Soviet Union.

In December 1952, Stalin's peace proposal was hailed throughout the world and received front-page coverage in the *New York Times*. CDJ was appalled by "the shocking stupidity and/or irresponsibility of Scotty Reston, aided and abetted by the high priests of the *New York Times*, who should know better, which permitted the front page of that paper on Christmas morning to be given over to a photograph of Stalin and his phoney peace proposal." But CDJ was sanguine that with Eisenhower in the White House the situation would change. After all, CDJ wrote, we finally have a leader "who grasps the concept of political warfare" and who "appreciates that practically every other golf club in his bag is broken."⁷

Stalin's death in March 1953 provided the U.S. with an opportunity to launch its own peace offensive. It was part of a larger package called, "The Soviet Vulnerability Project." It included a careful study of Soviet "vulnerability created by Stalin's death and suggestions for prompt American action to exploit that vulnerability." The guidelines were precise:

- To foster any and all divisive forces within the top hierarchy....
- To stimulate divisive forces between the Kremlin and satellite governments, including communist China....
- To maintain and increase the unity between the peoples of the free nations....⁸

In addition Eisenhower would recapture the peace initiative. On April 16, 1953, Eisenhower addressed the American Society of Newspaper Editors. Carefully prepared by his political warriors, his "Chance for Peace" address was hailed as a serious bid for international harmony. It was also the opening gun of the post-Stalin phase of the Cold War. The speech was written by C.D. Jackson, W.W. Rostow, and *Time-Life* journalist Emmett J. Hughes. Eisenhower monitored every word of every one of the many drafts:

Every gun that is made, every warship launched, every rocket fired signifies...a theft from those who hunger and are not fed, those who are cold and are not clothed. The world in arms is not spending money alone. It is spending the sweat of its laborers, the genius of its scientists, the hopes of its children.... We pay for a single fighter plane with a half million bushels of wheat.... This is not a way of life at all.... It is humanity hanging from a cross of iron.

It was a remarkable call for peace and CDJ made sure that it "literally blanketed the globe." It was translated and recorded. Every agency participated: radio, TV, the U.S. In-

formation Service, CIA, State, RFE, Voice of America. In Germany, the text was distributed to 921 newspapers and magazines; three million pamphlets were prepared for distribution throughout Europe and Latin America. In New Delhi more than 100,000 handbills were distributed in eight languages. It was broadcast hourly over every RFE channel.

That speech represented the top side of political warfare. Then there was the underside. In March 1954, the U.S. introduced a variety of undercover activities that were to give backbone and bite to CDJ's words. Within a year political warfare strategy advanced from rhetoric to counterinsurgency. National Security Council (NSC) policy directive 5412 determined that "in the interests of world peace and U.S. national security, the overt foreign activities of the U.S. government should be supplemented by covert operations." The CIA's mandate to conduct "espionage and counterespionage operations abroad" was now extended to:

- Create and exploit troublesome problems for International Communism, impair relations between the U.S.S.R. and Communist China and between them and their satellites, complicate control within the U.S.S.R., Communist China and their satellites, and retard the growth of the military and economic potential of the Soviet Bloc.
- Discredit the prestige and ideology of International Communism, and reduce the strength of its parties and other elements.
- Counter any threat of a party or individual directly or indirectly responsive to Communist control to achieve dominant power in a free world country.
- Reduce International Communist control over any areas of the world.
- Strengthen the orientation toward the U.S. of the peoples and nations of the Free World, accentuate, wherever possible, the identity of interest...as well as favoring...those groups genuinely advocating or believing in the advancement of such mutual interests, and increase the capacity and will of such peoples and nations to resist International Communism....
- ...develop underground resistance and facilitate covert and guerrilla operations to ensure availability of those forces in the event of war....

All "covert operations" were to be planned and executed so that "U.S. Government responsibility for them is not evident...and if uncovered the U.S. Government can plausibly disclaim any responsibility for them."⁹

All inclusive. Secret. Costly. Worldwide. To "counter any threat of a party or individual directly or indirectly responsive" to communism in a free-world country. Manipulation of elections in Iran in 1953 and in Guatemala in 1954. Vietnam, Laos, the Congo, Cuba, Grenada, Nicaragua, Panama. To "strengthen the orientation toward the U.S." The doctrine of "plausible" government deniability.

NSC 5412 ended all pretensions about territorial integrity,

9. NSC 5412, March 15, 1954, "On Covert Operations," Gordon Gray Papers, box 7. See also NSC 5440, "Basic National Security Policy," December 14, 1954, declassified with portions deleted, Gordon Gray Papers, box 1.

7. CDJ to W.W. Rostow, December 31, 1952, box 75.

8. "The Soviet Vulnerability Project" of CENIS was headed by Max Miliken and W.W. Rostow. They submitted their report to the still functioning Psychological Strategy Board (PSB). See Harold Stassen (then director of mutual security) to PSB, March 10, 1953, box 5. See also CIA-SE-39, "Probable Consequences of Death of Stalin," March 10, 1953, box 5.

national sovereignty, and international law. Covert operatives were spread across the globe. From bribery to assassination, no activity was unacceptable, short of nuclear war. Named a moral crusade against communist tyranny, America's commitment to lead the Free World was a life and death contest for world leadership. It all began with the contest for hearts and minds.

Mammoth political warfare operations were devised not only to destabilize unfriendly governments, but to persuade U.S. citizens that the violent events that occurred in the name of democracy or human rights had nothing to do with U.S. involvement, were not paid for by U.S. funds, and had not been engineered by U.S. political warriors. Moreover, the events were just, because the targets were un-American.

Today it is clear that the ease with which the U.S. replaced the independent popular governments of Mossadegh in Iran and Arbenz in Guatemala with U.S. clients created a false sense of possibility. Nothing would be quite so easy again. By the end of 1954 the flowers began to wilt in C.D. Jackson's garden of political warfare. By 1956 some of the most promising buds turned into stinkweeds.

In February 1956 Khrushchev intensified the "de-Stalinization" campaign. In his "secret" seven-hour speech before the Twentieth Communist Party Congress, Khrushchev not only detailed and denounced Stalin's crimes, he announced the Soviet Union's commitment to "peaceful coexistence." There was, he said, "no fatal inevitability of war." He introduced a new economic relationship between the U.S.S.R. and the Warsaw Pact countries. Changes would be in development of agriculture and industry; more consumer goods; fair market prices for international trade. He acknowledged that there were many legitimate roads to communism, including parliamentary victory: independent national roads to communist self-determination – Titoism, polycentrism, decentralization.¹⁰

The year 1956 represented a major turning point for U.S. political warriors in the Eisenhower era. Khrushchev's speech was the great challenge. For the exiles at Radio Free Europe it signified potential disaster. The Communist world might be liberalized, unified, satisfied. Unless it was broken up forever. Poland and Hungary wanted better working and living conditions; new local leadership; higher prices for their goods. Khrushchev agreed their grievances were legitimate. Khrushchev promised change, acknowledged error. But before the changes agreed upon were made, riots broke out in Posnan and Budapest. RFE called for direct action, total revolution.

For years RFE had called for the "liberation" of the

"enslaved" countries. By 1956 RFE broadcast 20 hours a day, dropped leaflets by balloon at a rate of 14 million a month. The Committee for a Free Europe had developed a full-scale plan for the liberation of East Europe. A.A. Berle wrote that the goal was to tie the area into a united-Europe movement affiliated with Jean Monnet's steel and iron community, the EDC, NATO, and the European Payments Union. Berle rhapsodized: "This time, at least, we will not leave an empire adrift again, as we did after Versailles."



Credit: Radio Free Europe

Radio Free Europe headquarters in Munich, known as "the little Pentagon."

But by 1956 even Berle had misgivings. The broadcasting was premature. It was unwise to start "movements which could only end in the slaughter of the people." The State Department had accepted no responsibility for the follow-up. RFE Director Robert Lang urged Berle to be calm. In 1954 he assured Berle that RFE was "now the recognized head of the non-communist opposition...and it can force changes in the governments and policies both in Czechoslovakia and Hungary."

But the State Department abandoned RFE, perched out on a widespread and shaky limb. As early as October 1954 William Griffith, RFE's political analyst in Munich, complained to CDJ that U.S. foreign service officers sabotaged Project Focus, a major balloon effort, "in every way." "It appears," Griffith wrote, the desk officers "do not believe it is possible to create an internal mass opposition...and admit frankly they wouldn't know what to do with one if it were created." Griffith and CDJ had "always thought it both possible and desirable," and now their entire effort was being curtailed. Griffith was furious.

All their work towards building an internal mass opposition in Czechoslovakia and Hungary faced the wrecker while, he believed, it was on the brink of victory. "The thought of this being strangled by some third-rate epigones who burn incense daily to the God of Doing Nothing makes me really mad!"¹¹

Khrushchev's speech, the "Spirit of Geneva," Soviet withdrawal from Austria, the treaty between West Germany and the Soviet Union, ongoing negotiations regarding

10. For the recently declassified CIA analysis of the impact of Khrushchev's speech, see "The Present Communist Controversy; Its Ramifications and Possible Repercussions," CIA declassification No. NLE-76-51, 251, DDE Library. The CIA concluded that Moscow's new flexibility (Titoism, or polycentrism), did not threaten Soviet control. Unless the West acted "vigorously to exploit Communist confusion," there were "few risks for Communists" in their new liberalism. See also W.W. Rostow's memo on Khrushchev's speech and the challenge of the 20th Party Congress, Rostow to Allen Dulles, February 24 and 27, 1956; and Rostow to William Jackson, March 29, 1956, box 75. For Dulles' efforts regarding the speech, see David Wise and Thomas Ross, *The Invisible Government* (New York: Random House, 1964).

11. William Griffith to CDJ, October 20, 1954, March 11, 1955, box 47. For the growing conflict between Radio Free Europe and the State Department, see CDJ to Allen Dulles, November 24, 1954, box 40.

Eisenhower's "Open Skies" proposal—all contributed to put great pressure on RFE to cease its antagonistic activities. C.D. Jackson went to see John Foster Dulles and was rebuffed, evidently for the first time. Dulles agreed with Eisenhower that it was better to be involved in a trade war than a nuclear war.

While Dulles and Eisenhower concentrated on détente and a new foreign economic policy, CDJ went off in search of allies to reinvigorate RFE. By 1956 he had left the White House to serve as a member of the U.S. delegation to the United Nations and once again worked largely out of the offices of Time, Inc. He was still operating with vigor in most of his old haunts. And he was not resigned to sit by and accept Washington's refusal to take bold advantage of the moment. "To oversimplify," he wrote William Jackson who now occupied his former position in the White House, he favored creating many crises throughout the satellites at once. "If the summer of 1956 passes without our having made some intelligent move...we will really have exhibited the kind of idea bankruptcy for which we are becoming far too famous."

Except for RFE's continued use of balloons, no new cold hard action was forthcoming. In March, Czechoslovakia charged that a balloon had caused an air crash in which 22 people had died. RFE claimed that a balloon that weighed only two pounds could not be hazardous. The State Department began to agitate for Eisenhower to curtail the balloonatics. The staff of RFE believed that seven years of broadcasts and balloons, seven years of "merchandising hope," of creating "pressure from below," were about to be junked for Soviet promises and smiles.

Specific changes occurred in Eisenhower's foreign policy after 1956. Political warfare C.D. Jackson style no longer operated out of the White House. RFE's free-wheeling independence was momentarily checked. Independent investigations revealed that RFE had indeed been responsible for Hungary's expectation of U.S. military and material support. The rhetoric of "rollback" was suspended.¹²

C.D. Jackson felt betrayed and continued to disagree. But, for the moment, he was increasingly alone. W.W. Rostow who agreed with CDJ on most things, and worked with him on many, wrote a panegyric to liberty: "The trend in world affairs is rapidly moving towards a diffusion of unilateral power, away from both Moscow and Washington. The postures of Nehru, Nasser, Tito, Gomulka are part of a deeply rooted trend.... Americans tend to view this development with pleasure, as they believe profoundly that it is through the diffusion of power that individual and national liberties are preserved...."¹³

In January 1958, Eisenhower offered C.D. Jackson the position of Undersecretary of State "to head up the Cold War effort," with a special emphasis on disarmament. He wanted

CDJ's political warfare skills. But he wanted them directed toward peace. Jackson never took the job.¹⁴

In 1958 CDJ resigned from Eisenhower's administration altogether. From that moment on Time, Inc. shifted allegiance, and began to promote John F. Kennedy for the presidency—in order to get America moving again. That political warfare gambit, an historical lie that stuck, of Eisenhower as a do-nothing president, without energy or verve, was a Time, Inc. creation in the manner of CDJ's entire career.

C.D. Jackson was back where he started: Exacerbating tensions from his perch at Time, Inc. But undercover and uncelebrated he had helped to transform U.S. foreign policy. By 1960 there were 15,000 CIA operatives around the world. There were covert activities everywhere. Political warfare had become a primary tool in the U.S. arsenal. Eisenhower introduced covert operations in the Philippines, on Quemoy and Matsu, in Tibet, Indonesia, and Laos. The U.S. was well on its way to full-scale involvement in Vietnam. And, in 1958 10,000 Marines surprised the European sunbathers on the beautiful beaches of Beirut. The tragic road to Lebanon was an Eisenhower-era political warfare ploy.

RFE and Radio Liberty continued to be supported by the CIA until June 30, 1971 when its undercover involvement was exposed during the protests against secrecy and covert operations that accompanied the Vietnam War.

In August 1972 President Nixon appointed Milton Eisenhower to chair a Presidential Study Commission on International Broadcasting. That commission unanimously concluded that "Radio Free Europe and Radio Liberty, by providing a flow of free and uncensored information to peoples deprived of it, actually contribute to a climate of détente." In (Fiscal Year) 1973 over \$138 million in public funding were spent on international broadcasting activities.

As we consider the end or the transformation of the Cold War, we need to consider the intensification of political warfare worldwide and the increased reliance on military violence; we need to consider the refusal to demilitarize; the need for new "hot spots"; and the actual efforts to create them. We need to consider the prospects for humanity's future in a world weary of confrontation; economically ravaged by militarism and misinformation. We need to reflect on the tenacity of Cold War habits, virtually a century of war against communism, socialism, and national liberation movements opposed to imperial control, economic and cultural domination.

As we face the foothills of the 21st century it is clear that World War I, World War II, and the Cold War were successive scenes in a competitive morality play for influence, power and control over resource-rich territories: The play is ongoing; we continue to battle our way out of earth's most violent century. And everywhere we look the words are in shambles: conservative, liberal, revolutionary, terrorist, freedom fighter; holy war, democracy, justice, honor, peace. ●

12. On January 7, 1957 Ann Whitman noted in her diary, "Pres apparently has expressed fear that some of RFE statements...could be considered incitements to war." Staff Note # 57, December 26, 1956, Whitman diary, box 8. See also Cook, *op. cit.*, n. 4, chapter 5; and George Kennan, "Impressions of Poland, July 1958," Allen Dulles to General Goodpaster, August 3, 1958, DDE Diary, Staff Notes, box 22.

13. W.W. Rostow, "Reflections on Poland and All That," October 25, 1956, box 75.

14. DDE to CDJ, January 28, 1958, box 41.

Braving the Storm

by Debra Evenson

As transformations sweep Eastern Europe, Fidel Castro continues to exhort Cubans to maintain a steady course in defense of socialism and independence. Some view Castro's resistance as evidence of madness and isolation. But Cuba has few options if it is to maintain its egalitarian principles and social support systems as well as its freedom from U.S. political and economic domination. Without a doubt, Cuban socialism faces its most critical challenge since it faced armed counter-revolutionary forces in the 1960s.

1989 was a traumatic year for Cuba. Revelations in June of corruption and drug trafficking among top military and security personnel sent shockwaves through Cuba, calling into doubt the efficacy of leadership and exposing alarming weaknesses in national security. In late fall, the Berlin wall came down and one by one Eastern European countries renounced their one-party socialist systems and moved toward capitalism and abandonment of socialist economic cooperation. By December, right wing Cubans in Miami and Bush administration officials were gleefully awaiting the quick demise of revolutionary Cuba — "the last domino."

As usual, both Washington and Miami misread the dynamic in Cuba as well as the relationship between Cuba and its benefactor the Soviet Union. Cubans did not jump at the opportunity to join the capitalist bandwagon, and the Soviet Union has maintained support for its Caribbean ally. Convinced that it can still force Cuba back into its fold, the U.S. has significantly increased economic and political pressure to destabilize the socialist government.

Though numerous commentators have pointed out the marked differences between Cuba and the former socialist camp, a brief statement of those differences bears repetition. Cuba arrived at socialism by way of a popular revolution; it was not imposed by any foreign power. While adopting many institutional models from the Soviet Union and other socialist bloc countries — often to its detriment — Cuba maintained an important level of independence and creativity. Moreover, Cuba's leadership has enjoyed a far closer relationship to the people than their counterparts in Europe. As a result, the Cuban Communist Party is in no present danger of extinction.

Among Latin American countries, Cuba alone has maintained its independence from U.S. hegemony — a source of great national pride. Relentless United States hostility has created economic difficulties and hardships, but it has also inspired unity and resistance among a majority of Cubans who are fervently patriotic. Moreover, the aggressive, vulgar pronouncements of rightists in Miami, like Jorge Mas Canosa,

Debra Evenson is an Associate Professor of Law at DePaul University College of Law and the President of the National Lawyers Guild. She writes frequently about Cuba. © 1990 Debra Evenson.

president of the Cuban American National Foundation,¹ who seek to "reoccupy" Cuba, arouse popular defiance not joyful anticipation.

U.S. Hostility

Recent U.S. actions have strengthened Cuban resolve. The invasion of Panama outraged the Cuban population; as it did almost every other Latin American country.² The illegal and unjustified shelling of an unarmed Cuban cargo boat by a U.S. Coast Guard cutter in January, fired patriotism in the hearts of even disaffected Cubans. U.S. allegations that the boat appeared to be carrying drugs were negated by an extremely thorough check by Mexican authorities.³

In the context of these overtly hostile acts, the testing of TV Martí,⁴ insulted even those Cubans who listen to Radio Martí.⁵ The Cuban government has effectively jammed TV Martí since its first transmission on March 17, 1990.⁶ Although no one in Cuba sees the broadcasts, President Bush certified the project a success on August 30, thus freeing up an expenditure of \$16 million for its continuation. While admonishing the Soviet Union that they can little afford to provide economic assistance to Cuba, and despite staggering deficits in the U.S., Congress and the Bush administration are willing to continue to throw away tens of millions to fund TV Martí. Additionally TV Martí is illegal under international conventions on telecommunications to which the U.S. is a signatory. International condemnation of TV Martí, including strong statements by most Latin American countries as well as the International Telecommunications Union of the U.N.,⁷ has gone virtually unnoticed by the U.S. press and Congress.⁸

1. Jorge Mas Canosa is president of the right-wing Cuban American National Foundation which is the leading lobbyist for continuation of a hardline anti-Castro policy in Washington. Its PAC pumps significant funds into the campaigns of its allies in Congress. Recently, Mas Canosa has proposed himself to take the helm of Cuba after Castro's fall and has begun drafting a new Cuban constitution.

2. Henry Tricks, "Group of Rio Calls for Elections in Panama," Reuters, March 30, 1990.

3. Debra Evenson, "The Times's Relentless Assaults on Cuba," *Lies of Our Times*, May 1990, p. 11.

4. TV Martí is the TV station established by the Bush administration to transmit programming to Cuba. It broadcasts from a balloon tethered off the Florida keys.

5. Radio Martí is the U.S. propaganda station transmitted to Cuba over medium wave. It began operation in 1984.

6. Michael Molinski, "TV Martí Not Seen in Cuba," UPI, August 11, 1990.

7. Not only does no one see the broadcasts, but the U.N. International Telecommunications Union had found that TV Martí violates both the letter and the spirit of international telecommunications agreements, Inter-Press Service, April 3, 1990. It has also been almost universally criticized by Latin American countries, "The Rio Group of eight Latin American Countries Denounced TV Martí as a Violation of International Law," Inter-Press Service, April 2, 1990.

8. *Op. cit.*, n 3.

In late April the U.S. began unusually large naval and military maneuvers close to Cuba, some of which were launched from Guantanamo Base at the eastern end of the island. Although the U.S. has previously carried out training exercises in the Caribbean, this was the first time that three major exercise maneuvers were conducted simultaneously around Cuba.⁹ Cuba's armed forces reported that U.S. fighters and B-52 bombers flew from bases in Florida and approached Cuban territory in simulated air strikes.¹⁰ U.S. officials in Havana denied these exercises had anything to do with Cuba.¹¹ Yet, according to reliable Cuban military sources, U.S. personnel were evacuated from the U.S. Interests Section's offices in Havana at the height of the maneuvers. In response, Cuba organized its most massive civilian mobilization since the 1962 missile crisis.

One explanation for the U.S. mobilization of military forces is found in the thesis originated by *Washington Post* reporter Julia Preston, that members of the Cuban military are disaffected and ripe for mutiny.¹² Though there is no concrete evidence to support such a thesis, it has gained currency in the U.S. media and in Washington. Luis Aguilar's recent policy analysis for the Heritage Foundation argues that change in Cuba will only come at the hands of the Cuban military.¹³ Thus, the White House may have been using these maneuvers to motivate an attempted coup or to gather further intelligence on Cuba's military strength and morale.

In the short run, tenacious U.S. hostility is helpful to Cubans struggling to maintain morale in the face of an extremely bleak economic situation. In the long run, of course, it impedes any normal economic and political development by narrowing the options available even to reformers inside Cuba.¹⁴

Soviet Response

While keeping direct pressure on Cuba, the U.S. has also stepped up pressure on the Soviet Union to desert the socialist island. At first, the Bush administration, as well as the establishment media, assumed that the Soviet Union would quickly set Cuba adrift. After all, Castro not only rejected many Soviet reforms, but was openly critical of the free market policies being adopted by Eastern Europe. When their as-

9. Pascal Fletcher, "Cuba, U.S. Trade Accusations over Military Maneuvers," Reuters, May 7, 1990.

10. *Ibid.*

11. *Ibid.*

12. Julia Preston and others misinterpret last summer's trial of General Arnaldo Ochoa. Although substantial evidence has been presented of their involvement with the Colombian drug cartel and corruption, these commentators insist that the real offense had nothing to do with drug trafficking, but with Ochoa's political disagreements with Raul and Fidel Castro. Despite the absence of even a shred of evidence to support this thesis, it is now accepted as common knowledge by the establishment media.

13. Luis Aguilar, "Castro's Last Stand," *Policy Review*, Heritage Foundation, Summer 1990.

14. This policy of strangulation has been suggested by Susan Kaufman Purcell in *Foreign Affairs*.

sumptions proved baseless, the Bush strategists began to look for ways to pressure the Soviet Union into cutting off Cuba.

Congress has joined the administration's efforts to withhold direct financial assistance to the Soviet Union until it stops aid to Cuba. Pressure has been applied to the other Eastern European countries, and even after several announced their intention to change to hard-currency trade with Cuba, some in Congress suggest that aid should be withheld in direct proportion to the amount of Cuban sugar imported. As a result of changes in trade relations as well as economic problems in these

countries, many shortages have already begun to affect Cuban economic activity. Lack of spare parts keep some machinery and vehicles from producing or transporting goods.

For their part, the Soviets have decided not to take any abrupt action with respect to Cuba. In April, the Soviet Union signed a trade protocol with Cuba which represents a more than 8% increase over last year's agreement. In response to Bush's statements at the conclusion of the July "economic summit" in Houston in which he again insisted that the Soviet Union abandon Cuba, Mikhail Gorbachev flatly rejected the demand. He stressed that "attempts to put forward any political conditions for...cooperation are excluded."¹⁵ Yet the Soviets have not made good on 1990 deliveries of oil and other basic products, and rumors abound that in 1991 the Soviets may require Cuba to pay for some trade, like oil, with hard currency. The rise in oil prices resulting from the current Gulf "crisis," can only make this requirement more likely and more costly to Cuba.

There are several explanations for the Soviet Union's refusal to cooperate in Washington's plan to crush Cuba. Although it has never been a Soviet proxy, Cuba has nevertheless been a consistent ally. Cuba has been and remains an important intelligence base for the Soviet Union in this hemisphere.¹⁶ Also, Cuba has given the Soviet Union substantial humanitarian aid by providing free medical treatment to Soviet victims of the Chernobyl accident and the Armenian earthquake as well as to Soviet soldiers wounded in the Afghanistan conflict. Such generous humanitarian gestures do not go unnoticed by the Soviets.

Further, there is good evidence that the terms of Soviet-Cuban trade protocols are not "masked subsidies," but rather are equally beneficial to the Soviet Union. According to Sergo Mikoyan in a recent analysis in the *Washington Quarterly*, the Soviets receive important goods from Cuba, like sugar, citrus, nickel and medical supplies without having to pay in convertible currency, which is in as short supply in the Soviet Union today as it is in Cuba.¹⁷ According to Mikoyan's calculations,

15. "Gorbachev Rejects Political Conditions for Aid from West," Reuters, July 13, 1990.

16. The Soviet top military officer, General Mikhail Moiseyev recently pledged continued Soviet cooperation with Cuba. Reuters, "Top Soviet General Pledges Continued Friendship with Cuba," October 10, 1990.

17. Sergo Mikoyan, "Soviet Foreign Policy and Latin America," *Washington Quarterly*, Vol. 13, no. 3, p. 179, Summer 1990.

based on the variable value of rubles in convertible currency, the Soviets may actually pay less than the world market price for Cuban sugar, not more.

There are some among the Soviet leadership who appear to have a sincere interest in preserving some form of socialism. Thus, philosophically, they would not want to see Cuba destroyed. But there are a number of voices in the USSR, encouraged by apparent ties to the U.S., who advocate an immediate halt to Soviet aid to Cuba. For example, the rightwing *Moscow News* has featured several articles critical of Cuba. One even praises ultra-rightist Mas Canosa.¹⁸

At the same time the U.S. tries to cut off Cuba from its major trading partner and benefactor, it is also seeking ways to tighten the U.S.-imposed trade embargo. Last spring a series of amendments to the trade embargo were introduced in Congress. These amendments would: restrict trade with Cuba by foreign subsidiaries of American corporations; impose administrative fines on violators; permit the seizure, by the U.S., of any boat that enters a U.S. port within 180 days of docking at a Cuban port; and reduce the amount of economic aid going to any country by the amount of sugar that country buys from Cuba. While the last three measures have not been reported out of committee, the legislation restricting subsidiary trade with Cuba has been passed as an amendment to the Chemical and Biological Weapons Control Act (HR3033) which is awaiting conference.

In addition, the U.S. continues to use immigration policy as a tool to destabilize Cuba. In 1984 Cuba and the U.S. reached an agreement which would guarantee normal immigration procedures to Cubans wishing to emigrate to the U.S. Under the agreement the U.S. was to process and grant visas to up to 20,000 persons a year. The agreement was temporarily suspended by Cuba between 1984 and 1987 in response to the Reagan administration's launching of Radio Martí. However, since reinstatement of the immigration agreement the U.S. has processed less than 8,000 applications.

While denying normal immigration visas, the U.S. encourages Cubans to come to the U.S. through non-official means. The U.S. will grant asylum to any Cuban who manages to arrive in the U.S. by "whatever means" and U.S. embassies in third countries help Cubans to "defect." The cases of Cubans seeking asylum on the basis of persecution are extremely rare. Almost all are seeking economic benefits. Cuban trumpet player Arturo Sandoval expressly admitted this in an interview shortly after his "defection" which was assisted by U.S. embassy personnel in Italy.¹⁹

Inside Cuba

While steadfastly refusing to bow to external pressures, Cubans are engaged in a broad public debate on reforms needed to save their socialist revolution. The debate itself is

18. Alexander Makhov, "The Other Cuba," *Moscow News*, weekly #38, 1990.

19. Howard W. French, "New Winds for a Trumpeter from Cuba," *New York Times*, October 8, 1990, p. C12. The U.S. Department of Health and Human Services Annual Report to Congress on the Refugee Resettlement Program lists 3,808 Cuban refugees accepted in 1989 compared to no Haitians and Central Americans.

democratizing the political process in Cuba. Most observers expected Cuban leaders to take a hardline approach in the current crisis, and some leaders may still argue such a line, but the majority have apparently decided that democratization of the struggle will strengthen its defenses against destabilization.

In March, the Communist Party (PCC) issued a call for widespread discussion in preparation for the fourth Party congress to be held in the first half of 1991. Though couched in the uncompromising rhetoric of "socialism or death," the call represented a significant departure from the past. It did not offer the Politburo's agenda for resolving the nation's problems, but rather solicited public analysis and debate of alternative policies. Unanimity, previously touted as a display of "democratic unity," was explicitly rejected in favor of tolerance of diverse opinions.

As a result of the Call, Cuba has begun a process of democratization. Meetings of provincial Party and national mass organizations involved several thousand delegates and typically lasted from eight to 14 hours each, portions of which were televised. A fascinated public watched and listened almost daily to sharp criticism identifying dysfunctional economic institutions, stagnant bureaucracies, ineffective political structures and policies which impede creativity and responsiveness. As the discussion proceeded, problems were detailed with increasing specificity and the debate became bolder and more dynamic. For many the process has inspired hope that Cuba can find solutions and democratize at the same time. Already important reforms have been announced.

Without the reliable support of the socialist countries to buffer the relentless hostility of the U.S., Cuba faces a situation even more difficult than the counterinsurgency of the 1960s. As Cuba attempts to widen political space and broaden popular support and participation, U.S. policy could hardly be less democratic or humane; rather than nourish the democratic processes at work, the U.S. encourages disruption and conflict. The clear purpose of U.S. policy seems to be summed up by columnist William Safire: "if the U.S. makes the Cubans hungry enough, they will get angry enough to overthrow their government."²⁰

Of some comfort during this period is the fact that the U.S. will not be able to point to any economic "miracles" in Eastern Europe. Instead, Cubans are likely to have the benefit of seeing growing unemployment, inflation and displacement in these countries. Already there are reports of labor discontent, homelessness and unemployment in Poland and Hungary. At the same time, the imposition of radical free market policies have worsened the economic situation for most Latin Americans and have increased political tensions in the region.

Survival of the Cuban Revolution in the 1990s will require intelligence and creativity. As the Party leadership has repeated in its call for the next Congress, "the revolution cannot make any mistakes." ●

20. "Castro's Last Stand," *New York Times*, February 19, 1990.

Publications of Interest

Prisoners Legal News

PLN reports on U.S. and foreign prison and prison related issues from a class conscious perspective. In addition the two editors, themselves incarcerated, address larger societal issues. If you would like to contribute letters, articles or art, write to: Paul Wright #930783, Box 5000, HC-63, Clallam Bay, WA 98326.

Despite banning, relocation, and censorship, the editors continue to produce the *Prisoners Legal News*. Your help will be greatly appreciated. Send contributions and subscriptions to: PLN, PO Box 1684, Lake Worth, FL 33460.

CIA Off Campus

New from CIA Off Campus National Clearinghouse: *CIA Off Campus Hotline*: 312-427-4559. A 24 hour hotline with the latest anti-CIA activities on campuses, and other related information from around the country.

Data Base: Records types of CIA presence and student actions, including all schools doing anti-CIA work.

Educational Packets: Examples of the latest, as well as proven methods of CIA off campus strategies.

Panels, Speakers, and Workshops: A variety of speakers are available for engagements at schools and conferences.

Campus Watch: Published twice each school year, *CW* raises awareness of intelligence activities concerning the academic community.

CIA Off Campus: A Do-It-Yourself Handbook, by Ami Chen Mills.

For more information: 220 South State Street, Suite 1430, Chicago, IL 60604. Tel: 312-939-0675.

Attention Document Freaks

Ann Mari Buitrago—the co-author of *Are You Now Or Have You Ever Been In The FBI Files?*—is preparing an updated version of the Glossary of Terms originally published there. She is very interested in hearing from people who have received documents from the FBI, under the Freedom of Information Act, which have entries and terms not found in the original Glossary, or expanded definitions of existing entries. She is also interested in learning of existing or in-process glossaries relating to documents from other intelligence agencies.

Please send material or inquiries to: Glossary Project, PO Box 177, Pembroke, ME 04666.

CIABASE

CIABASE is an annotated computerized data base on worldwide CIA operations from 1947 until the present.

The product of six years of arduous work by former CIA operations officer Ralph McGehee, this new data base contains material from supporters as well as critics of the Agency. CIABASE gleans information from magazines, congressional publications, newspapers, and over 170 books; breaks it into 103 categories, and makes it available to users of IBM/PC compatible computers.

For more information on this amazing addition to the information world, contact: CIABASE, 422 Arkansas Ave., Herndon, VA 22070.

South Africa's Death Squads

South Africa's Death Squads is a report by the South Africa Project in conjunction with the Lawyers' Committee for Civil Rights Under Law.

This 53-page report presents in-depth information on the circumstances of the death squads in South Africa. It examines the Harms and Hiemstra Commission Inquiries. And leaves the reader and the South African government with recommendations on how to end the activities of the government-sponsored death squads.

For information, or a copy of the report write to: Lawyers' Committee for Civil Rights Under Law, 1400 Eye Street, N.W., Suite 400, Washington, D.C. 20005.

At War With Peace: U.S. Covert Operations

This Special Report by the National Committee Against Repressive Legislation tackles the issue of the continued use of covert operations as an instrument of the U.S. government. It is the purpose of this informative and well-documented brochure to open this subject to national dialogue.

Included are an introduction to and history of covert actions and secrecy as well as a sobering analysis of Iran-*contra's* lingering intelligence implications. A complete page of sources rounds out this valuable and timely educational pamphlet. Single copies are \$2.50, discounts for bulk orders. Contact: NCARL, 1313 West 8th Street, Suite 313, Los Angeles, CA 90017. Tel: 213-484-6661.

The CIA and Financial Institutions

by Rebecca Sims

What has happened to the nation's savings and loan and banking industries and what will be the cost of this unprecedented scandal? The scope of this financial debacle is enormous. Some experts estimate that more than \$500 billion will be needed to bail out collapsed S&Ls and no doubt a large portion of this money will be collected from the U.S. taxpayer. The public outcry has become deafening and answers are being demanded.

Recent investigations have shown that many savings and loan failures were due to outright criminal fraud. However, there is an even darker side to this story. In a series of recent articles, the *Houston Post* has revealed that 25 failed savings and loans and two failed banks had links to operatives of the CIA or to organized crime figures with ties to the CIA.¹

The CIA has a long history of involvement with financial institutions and banking scandals. The two most infamous examples involve the scandals which devoured the Castle Bank & Trust in the mid 1970s and Nugan Hand Bank in the early 1980s. As with most intelligence operations there were no "smoking guns" which proved "CIA involvement." However, links between the CIA and bank principals, the strange and sometimes mysterious practices of these banks, and the failure to prosecute bank officers involved in questionable activities make the intelligence link appear irrefutable.

The Early CIA Banks

Almost 25 years ago, Castle Trust Company, the predecessor of Castle Bank & Trust, was formed in Nassau, Grand Bahamas. In her book, *In Banks We Trust*, Penny Lernoux wrote that Castle was established by Paul Lionel Edward Helliwell, and Morris Kleinman. Burton Kanter, a Chicago tax attorney, was also closely associated with Castle.²

Helliwell had a longstanding history of intelligence work. In the 1940s he was chief of special intelligence for the Office of Strategic Services (OSS) in China. After the CIA was formed, he worked for the Agency in Southeast Asia and directed a CIA team whose operatives included E. Howard Hunt. Helliwell, a master in developing front companies, was involved in the founding of several CIA proprietaries including Civil Air Transport, Sea Supply, and Air America.

Rebecca Sims is a freelance journalist from Houston who specializes in financial reporting.

1. For the past 10 months, the *Houston Post* has published a series of excellent articles on the connection between organized crime figures, CIA operatives, and drug smugglers and the savings and loan crisis.

2. Penny Lernoux, *In Banks We Trust* (New York: Viking/Penguin, 1986), pp. 83-92.

In 1973, Castle became a focal point of an IRS tax evasion investigation code-named Operation Tradewinds. When the Bahamian government complained about the investigation, then-IRS Special Agent Richard E. Jaffe prepared a reply that stated: "[it has] been determined that a number of this bank's clients are identified members of organized crime, and at least one was involved in the narcotics traffic." However, Jaffe's response was never delivered to the Bahamian government. The State Department had ordered that it not be sent.

In 1975, the Justice Department took over the investigation of Castle Bank & Trust. Soon after, reports regarding the investigation were leaked to Burton Kanter, one of the targets of the probe.³ When the CIA's Office of General Counsel requested that the Justice Department "keep out of certain accounts at Castle because they were run by the agency," the investigation into Castle was greatly impaired.⁴ By 1977, IRS Commissioner Donald Alexander had suspended the investigation.

It has been speculated that Helliwell used Castle Bank to launder money used in CIA covert operations as well as for various criminal activities. It also appears likely that Helliwell was able to avoid prosecution for these crimes because of his history with the CIA. If true, this was surely an indication of things to come in the S&L scandal of the 1980s.

Nugan Hand Bank, founded in 1974 by CIA operative Michael Hand and Australian Francis John "Frank" Nugan, was out of business less than six years later. During its short existence, Nugan Hand was involved in laundering drug monies—possibly then used for CIA operations in Southeast Asia—as well as money for numerous CIA "off-the-shelf" activities.

There has been a great deal of speculation about the exact nature of the relationship between the CIA and Nugan Hand. A former Nugan Hand executive shed some light on this mystery in an interview conducted by CBS's "60 Minutes" in February 1981. Neil Evans, the former head of the Nugan Hand branch in Chiang Mai, Thailand, said that "[Michael] Hand told me and others at the meeting that he'd been successful in arranging a contract with the CIA whereby the bank was to become its paymaster, for disbursement of funds anywhere in the world on behalf of the CIA and also for taking money on behalf of the CIA."⁵

3. Pat Read, "Failed bank linked to CIA?," *Miami Herald*, May 8, 1983, p. 1A.

4. Jim Drinkhall, "Big Tax Investigation Was Quietly Scuttled by Intelligence Agency," *Wall Street Journal*, April 18, 1980, p. 1.

5. David Hancock, *The Australian*, February 16, 1981.

A list of Nugan Hand's employees reads like a "Who's Who" in U.S. military/intelligence networks. Bernie Houghton, the third founder of Nugan Hand, was a former undercover officer for U.S. Naval Intelligence. Nugan Hand's attorney was William Colby, the former Director of Central Intelligence. Walter McDonald, former deputy director of the CIA, and Guy Pauker, a CIA adviser, both worked as consultants to Nugan Hand.⁶

Perhaps the most insidious side of the Nugan Hand Bank was its involvement in drug smuggling, primarily from Thailand and Burma, into the United States. The Australian Royal Commission, which investigated Nugan Hand after its collapse in 1980, found evidence that the bank was not only laundering drug profits but also providing funds needed to make the initial purchase of opium in Southeast Asia.⁷

The entire Nugan Hand scheme fell apart when Frank Nugan was found dead, reportedly by a self-inflicted shot to the head. Unfortunately, due to U.S. government secrecy, many questions remain unanswered about Nugan Hand and the CIA. While scandals involving Castle Bank & Trust and Nugan Hand Bank occurred in the 1970s and have since been forgotten in the media and the Congress, there are several recent examples showing that the CIA continues to engage in similar kinds of banking operations today.

First National Bank of Maryland

From 1983 through 1985, First National Bank of Maryland was used by a CIA proprietary to make payments for covert operations, including the purchase of at least \$23 million worth of weapons. A CIA proprietary known as Associated Traders had several accounts at First National and used them to buy guns for covert operations in Nicaragua, Angola, Chad, and Afghanistan.⁸

The details of the CIA's involvement with First National came to light when Robert Maxwell, a former First National Bank executive, decided to tell his story. According to Maxwell, his superiors at the bank told him that Associated Traders was a CIA front. Maxwell was asked to hide Associated Traders' activities, and to violate banking procedures regarding international letters of credit. Unknown to him, Associated Traders' bank statements read "c/o Maxwell."⁹

Maxwell, having been a banker for many years, was concerned about the illegal acts he was asked to commit, as well as the potential violations of arms import-export laws that the Associated Traders' account seemed to be involved in. When

A CIA proprietary known as Associated Traders had several accounts at First National and used them to buy guns for covert operations in Nicaragua, Angola, Chad and Afghanistan.

Maxwell was unable to obtain written confirmation from the bank that his work was authorized and he began receiving direct threats, he was forced to resign First National Bank.

Associated Traders' activities included a 1981 arms deal with Shimon Ltd., a Cayman Islands company. The

transaction involved shipments from Romania, Israel, and Portugal. These "technical goods," as they were labeled, ended up in Lagos, Nigeria, and Douala, Cameroon.¹⁰ It has been speculated that they may have been destined for Jonas Savimbi, the CIA-backed Angolan rebel leader¹¹ or disbursed to Chad, where the CIA reportedly spent \$20 million backing a successful rebellion that overthrew a Libyan-backed regime in 1982.¹² The shipments to Angola would have been in violation of the Clark Amendment which prohibited the CIA from supplying military aid to the Angolan rebels.

In 1983, another CIA arms transaction was funded via First National. In December 1983, Maxwell was asked to process a \$3.6 million letter of credit for Associated Traders. The letter of credit, later reduced to \$2.2 million, was payable to Sherwood International Export Corporation. Though the pay order stated that the letter of credit was for "merchandise" per contract, Maxwell learned that the merchandise was sixty thousand rifles from Indian's Minister of Defense.¹³

Where the arms went after they left India is still unknown. Conflicting documents related to the transaction show that the rifles were to be delivered to Portugal (the letter of credit), any U.K. port (bill of lading), and the U.S. for hunters and target shooters (Indian export license).¹⁴ Jack Anderson, in his syndicated column, stated that his sources told him "the rifles undoubtedly were delivered to the Mujahedeen guerrillas fighting Soviet occupation forces in Afghanistan."¹⁵

After Maxwell left First National Bank, he filed a \$19.5 million lawsuit against the bank charging that he was threatened and thus intimidated into leaving his job. Then, following explicit threats to Maxwell and his attorney, they added charges against ten "John Does" — officers of the CIA, FBI, Department of Justice, and Associated Traders. Maxwell's case against First National could prove highly revealing. However, in briefs filed by First National's attorneys, the bank hid behind the infamous "national security" defense when it stated that "[a] relationship between First National and the CIA or Associated Traders and the CIA could be classified information which can neither be confirmed nor denied."¹⁶

The case against First National is only the tip of the iceberg.

6. *Op. cit.*, n. 2.

7. Royal Commission of Inquiry into the Activities of the Nugan Hand Group (Canberra: Australian Govt. Publishing, 1985), Vol. Two, pp. 862-89.

8. Patrick Kiger Jr., "The Banker, the Guns, and the CIA," *Baltimore Magazine*, August 1990, p. 42; Jack Anderson, "CIA used complex route to ship secret arms," (Pennsylvania) *York Daily Record*, October 17, 1986.

9. Joel Brenner, "CIA Accused of Illegal Bank Deals," *Washington Post*, March 21, 1990.

10. Kiger, *op. cit.*, n. 8, p. 49.

11. Anderson, *op. cit.*, n. 8.

12. Kiger, *op. cit.*, n. 8, p. 49.

13. Rico Carish and Rebecca Sims, "Eingespant Vom CIA," (Zurich), *Bilanz* September 1990, p. 32.

14. *Ibid.*

15. Anderson, *op. cit.*, n. 8.

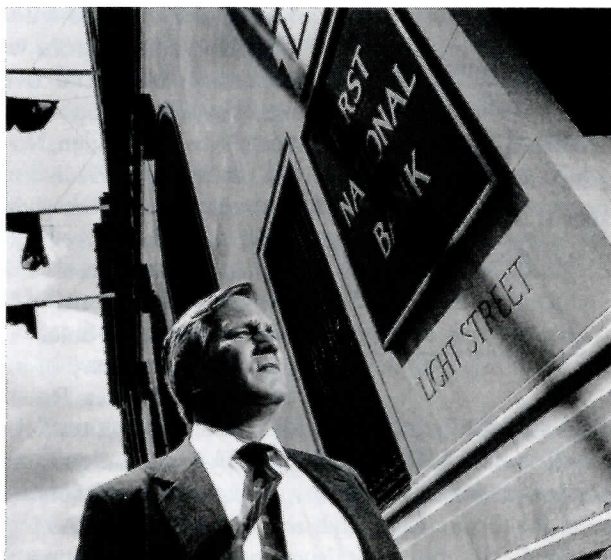
16. Dean Calbreath, "Alleged CIA bank account root of lawsuit," *Washington Business Journal*, February 5, 1990, p. 21.

The whereabouts of millions of dollars that were transferred offshore by First National on behalf of Associated Traders could reveal even more lurid CIA covert operations.

The Palmer National Bank

An in-depth look into the records of Palmer National Bank, located in Washington, D.C., may hold the key to understanding the failure of many savings and loans in the southwest U.S. as well as providing insight into one link in Oliver North's complex financial network.

Palmer National Bank was started in 1983, with a loan from Herman K. Beebe. Beebe, who the *Houston Post* has linked to more than a dozen failed S&Ls in the southwest, pleaded guilty in April 1988 to bank fraud and served 10 months in federal prison.¹⁷ As part of his plea bargain, federal prosecutors agreed not to prosecute Beebe for suspected bank fraud then under investigation in northern Texas and



Credit: Craig Daniels

Robert Maxwell, former First National Bank of Maryland executive who revealed details of illegal CIA banking practices.

western Louisiana.

Harvey D. McLean Jr., former owner of the now defunct Paris Savings & Loan, founded Palmer National Bank. His partner in the venture was Stefan Halper. Halper was once married to the daughter of Ray Cline, the former deputy director of the CIA. He was also George Bush's foreign policy director during the presidential primaries in 1980 and was placed in charge of a "highly secretive" operation for the Reagan-Bush campaign shortly after the Republican convention in July 1980. Halper's mission was to find out what the Carter administration's foreign policy team was doing.¹⁸

Halper's group included a number of retired CIA officials and when a congressional committee investigated the theft of

Carter's debate briefing books, Halper's name surfaced as the person in charge of the operation. In fact, it was revealed to the investigators that several active-duty CIA agents had been involved with the Reagan-Bush campaign.¹⁹ After the election, Halper was made deputy director of the State Department's Office of Politico-Military Affairs. Also, according to the *Houston Post*, after North's legal troubles began, Halper helped set-up the Oliver North defense fund.²⁰

Because of Halper's political connections, Palmer National Bank catered to the conservative Right. In 1985, when a new non-profit organization called the National Endowment for the Preservation of Liberty (NEPL) needed a bank, Palmer National was its choice.

NEPL, headed by Carl R. "Spitz" Channell, was used by Oliver North to funnel money for weapons to the Nicaraguan *contras*, in direct violation of the Boland Amendment. Channell was one of the few private citizens who were convicted of crimes relating to the Iran/*contra* scandal. The extent to which Palmer National Bank was involved in North's funding of the *contras* remains, as of yet, unknown.

Indian Springs State Bank

Indian Springs State Bank, a small, strip-center bank in Kansas City, Kansas, had many interesting customers, including organized crime figures and companies that contracted with the CIA. By the time the bank was closed by federal regulators in January 1984, its president, William LeMaster, had reportedly committed suicide. His body was identified by a set of golf clubs in the trunk of his car but no autopsy was performed and he was cremated within hours of his death.²¹

Indian Springs State Bank and Global International Air, an air charter company in Kansas City owned by Farhad Azima, had more than just a normal banking relationship—they had interlocking boards of directors. In fact, Azima was the fourth largest holder of Indian Springs stock and Indian Springs had made unsecured loans to Global Air on numerous occasions. When Global filed for bankruptcy in late 1983 and Indian Springs went under in 1984, amidst speculation of bank fraud, Azima walked away unscathed, reportedly because of his ties to the CIA.

The organized crime associates of Indian Springs State Bank included Long Island money broker Mario Renda, who has ties to the Gambino and Lucchese organized crime families and Morris Shenker, owner of the Dunes Hotel and Casino in Las Vegas. Renda has been a major figure in the collapse of savings and loans across the country. He is responsible for brokering billions of dollars into S&Ls which later went under. Many of these deposits were tied to loans made to Renda's associates who often defaulted on the loans, leading to a financial crisis for the S&L. Renda has been convicted for participation in these schemes.

Global International became a charter airline in 1978, just before the Shah of Iran was deposed and forced into exile.

19. *Ibid.*

20. Pete Brewton, "Fund fueled North's Swiss account," *Houston Post*, June 10, 1990, p. A-1.

21. (Missouri) *Kansas City Star*, June 10, 1990.

17. Pete Brewton, "House investigators pursue Post's S&L findings," *Houston Post*, July 11, 1990, p. A-8.

18. Barbara Honegger, *The October Surprise* (New York: Tudor Publishing Co., 1989), pp. 11-13.

Shortly after that, one of Global International's aircraft was held for three days at a Tunisian military base. The aircraft had been chartered by a Belgian cargo company for the purpose of shipping relief supplies from Lebanon to Costa Rica for the benefit of Nicaraguan refugees. Contained within those "relief" supplies were Chinese-manufactured .57 millimeter guns with 150 cases of ammunition.²²

In May 1986, Farhad Azima was reportedly a guest of the White House. Within weeks of that meeting, a Boeing 707 owned by another Azima company, Race Aviation, was used to ship 23 tons of TOW missiles to Iran.²³ When questioned by the *Houston Post*, Farhad Azima said that Race Aviation was owned by his brother. However, according to one federal investigator, "Azima hides behind his brother[s] a lot."²⁴

Numerous former pilots for Global International told the *Houston Post* that they flew guns to Latin America and then returned to the U.S. with drugs. In December 1979, the Egyptian American Transport and Services Corporation (EATSCO), controlled by Thomas Clines, Erich von Marbod, Theodore Shackley, Edwin Wilson, and Richard Secord, received a U.S. government contract to transport more than \$1 billion worth of military equipment and supplies to Egypt. Global International was a sub-contractor for the job.

In 1981, Global International ferried Liberian dictator Samuel Doe on a multi-nation "goodwill" trip, at the expense of the U.S. government. Global International paid Anthony Russo \$25,000 to escort Doe and to make sure the public relations venture ran smoothly. Russo was an employee of Indian Springs State Bank as well as a member of the advisory board of Global International. A former lawyer, Russo was forced to surrender his license in 1974 after he was convicted for conspiracy to promote bribery and prostitution.

In January 1984, shortly after Global International went bankrupt, Indian Springs State Bank collapsed with approximately \$27 million owed to depositors. Just as investigators looking into irregularities at Castle Bank & Trust and the Nugan Hand Bank found it difficult to carry out their work, so did the FBI when it began its investigation of Indian Springs.

The *Houston Post*, in its exposé, has reported that federal authorities—including a former assistant U.S. prosecutor—who attempted to investigate the failure of Indian Springs were advised to "back off a key figure in the collapse because he had ties to the CIA." The key figure was Azima.²⁵

The Aurora Bank

The Aurora Bank was located in a sleepy town adjacent to Denver, Colorado, and for all practical purposes, it was just another prosperous little "neighborhood bank." Yet, by the time organized crime figures, money launderers, and CIA operatives completed their pilferage, Aurora Bank disappeared into the black hole of insolvent federally-insured lending institutions.

Jilly Rizzo, John Napoli, Faud C. Jezzeny, William Vanden Eynden, M. Dennis Nowfel, and Heinrich F. Rupp were all involved in several very bizarre loan scams at Aurora. According to Vanden Eynden, he first met Rupp in the spring of 1976 through his former wife who is reportedly the niece of Saudi arms dealer Adnan Khashoggi and who was working for the company where Rupp was the chief pilot.²⁶

In what amounted to kited checks, hot money, and gold bars of questionable value, Aurora was scammed over and over again by Rizzo, Napoli, Jezzeny, Vanden Eynden, Nowfel, and Rupp. Each time one scam failed, the group came up with another "get-rich-quick scheme" that they hoped would pull Aurora out of the hole.

On the periphery of one of the scams was Robert "Denver Bob" Colquitt, a pilot for convicted drug trafficker Jack DeVoe. According to Vanden Eynden, Colquitt was Rupp's partner. The DeVoe organization, based south of Miami at the Ocean Reef Club and the Opa-Locka Airport, was involved in the "guns for drugs" network used in supporting the Nicaraguan *contras*.²⁷ In May 1984, DeVoe, along with 42 others, was indicted by a Florida grand jury for smuggling almost eight tons of cocaine into the U.S. The estimated street value of the drug was over \$2 billion.

According to Richard J. Brenneke, the self-professed onetime CIA/Mossad asset, Rupp was participating in what Rupp believed to be a CIA "sanctioned program." Brenneke said that he first met Rupp in Southeast Asia during the Vietnam war while they were both flying for Air America.²⁸

In a letter to President Bush, dated August 1, 1989, Rupp acknowledged his relationship to the CIA. In the letter Rupp asserted that he had performed special assignments for the CIA in Angola, Biafra (Nigeria), Mozambique, South Africa, Chad, Libya, Saudi Arabia, Yemen, Oman, Pakistan, Afghanistan, Iran, Iraq, and Syria. Rupp also stated that at one time he was under the direction of William Buckley, former

Federal authorities—including a former assistant U.S. prosecutor—who attempted to investigate the failure of Indian Springs were advised to "back off a key figure in the collapse because he had ties to the CIA."

The key figure was Azima.

22. *Ibid.*

23. *Secret Military Assistance to Iran and the Contras: A Chronology* (New York: Warner Books, 1987), p. 409.

24. Pete Brewton, "A bank's shadowy demise," *Houston Post*, February 8, 1990, p. A-1.

25. *Ibid.*

26. Statement by William J. Vanden Eynden submitted to the court in connection with his sentencing, April 7, 1986.

27. *Op. cit.*, n. 13.

28. Testimony of Richard J. Brenneke, court reporter's transcript, "In the Matter of U.S. v. Heinrich Rupp" (U.S. District Court, Denver, CO), September 23, 1988.

CIA Beirut Station Chief, and later under the guidance of William Casey.²⁹

Rupp reportedly flew William Casey to Paris on October 19, 1980 for the infamous "October Surprise" meetings with agents of the Iranian government concerning the release of 52 hostages held in Teheran.³⁰ An identification card, dated November 1, 1975, listed Rupp as Vice President of Operations and Pilot of Global International Airlines. According to knowledgeable sources, this is the same airline that was later controlled by Farhad Azima.

In 1987, Rupp, Jezzeny, Vanden Eynden, Nowfel and Napoli were charged with planning to launder roughly \$9 million in questionable funds through Swiss banks. In order to obtain the \$9 million, monies obtained through Aurora loans were used to show "good faith."

Though Rupp, Jezzeny, Vanden Eynden, Nowfel and Napoli were charged with the bank fraud, only Rupp received

in drug monies supplied by José Antonio "Tony" Fernandez.³¹ Fernandez was eventually indicted on charges of smuggling 1.5 million pounds of marijuana into the U.S. and later convicted and sentenced to 50 years in prison.³²

An unindicted co-conspirator in the Fernandez smuggling operation was Eulalio Francisco "Frank" Castro. However, the marijuana smuggling charges against Castro were dropped the same month that he began training Nicaraguan *contras* on a farm near Naples, Florida.³³

Castro, a Bay of Pigs veteran and head of the Cuban National Liberation Front, was indicted for violating the U.S. Neutrality Act, stemming from a March 6, 1983 weapons shipment from Ft. Lauderdale's Hollywood International Airport to Ilopango Military Base in San Salvador. The Neutrality Act charges against Castro were later thrown out by a federal judge because the judge believed that the U.S. was not technically "at peace" with Nicaragua.³⁴

According to the *Houston Post*, at one time, Ray Corona was negotiating the purchase of a bank in Florida from Guillermo Hernandez-Cartaya. Hernandez-Cartaya, another Bay of Pigs veteran, was convicted in 1982 for fraud involving Jefferson Savings and Loan, an institution he purchased from Senator Lloyd Bentsen's (Dem.-Texas) family. His conviction was handed down despite an appeal by a CIA agent to stop the prosecution of Hernandez-Cartaya due to his past service to the United States.³⁵

Hernandez-Cartaya's past service to the U.S. included dealing with the CIA as head of the World Finance Corporation (WFC). Like Nugan Hand Bank, many WFC employees had previously worked for the CIA and like Nugan Hand, there was intense speculation that drug money laundered through WFC helped fund CIA covert activities. Penny Lernoux writes that "there is certain plausibility to the belief of local law enforcement officers that by means of the drug trade the CIA was using WFC to finance counterrevolutionary activities by Cuban exile terrorists—a pattern already established in Southeast Asia during the Vietnam War."

After the Coronas were indicted in 1984, Leonard A. Pellulo, another shareholder of Sunshine stock, tried to gain control of the bank. Pellulo's corporations, including the Royale Group, Ltd., owed Sunshine \$12 million. In 1989, Pellulo was indicted with David A. Friedman on conspiracy charges relating to a loan from Savings One, a thrift in Gahanna, Ohio. Pellulo also was alleged to have connections to organized crime figures in Philadelphia.³⁶

Organized crime, drug runners and associations with CIA operatives all led to the failure of Sunshine. When Sunshine Bank was taken over by federal regulators, the bank had negative capital of \$22 million. To date, aside from the obvious drug

31. Pete Brewton, "Loan from Texas thrift weaves a tale of deceit," *Houston Post*, February 18, 1990, p. A-24.

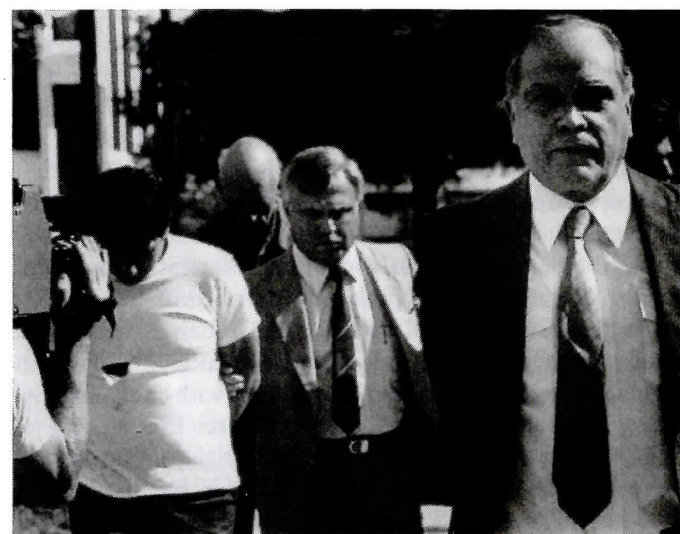
32. *Ibid.*

33. *Ibid.*

34. *Ibid.*

35. *Ibid.*

36. Stephen Pizzo, Mary Fricker, Paul Muolo, *Inside Job: The Looting of America's Savings and Loans* (New York: McGraw-Hill Publishing Co., 1989), pp. 171-172.



Credit: Associated Press

Ray Corona (right) and his son Rafael (left) being arrested in Miami, December 1984.

a significant sentence, which was originally set at 42 years and then reduced to two years. The rest, through plea bargains, received minimal or no time in prison.

Sunshine State Bank

Sunshine State Bank in Miami had a motley group of associates by the time it was taken over by state and federal regulators in May 1986. Among a choice group of insiders who controlled the bank were drug smugglers, money launderers, members of organized crime, and several very dangerous *contra* supporters.

In 1987, Ray Corona, the chairman and "owner" of Sunshine State Bank was convicted of racketeering, conspiracy and mail fraud. Court documents showed that Corona and his son, Rafael, had purchased Sunshine in 1978 with \$1.1 million

29. Letter from Heinrich Rupp to George Bush, dated August 1, 1989.

30. *Op. cit.*, n. 18.

money purchase and money laundering charges against José Fernandez and the Coronas, no criminal charges have been filed relating to the gross mishandling of the bank's affairs.

Hill Financial and Vision Banc Savings

In June 1986, Hill Financial Savings Association of Red Hill, Pennsylvania and Vision Banc of Kingsville, Texas lent over \$90 million to a group of corporations controlled by Wil-



This photograph is presented in gratitude for the indispensable support given by Campaigner, Member Mr. Robert Corson to the Republican Party and our Administration as we work to shape a better and more secure future for our nation.

Paul Helliwell
President
of the
United States

Robert Corson
Member of the
United States
House of Representatives

The inscription on this plaque reads: "This photograph is presented in gratitude for the indispensable support given by Campaigner Member Mr. Robert Corson to the Republican Party and our Administration as we work to shape a better and more secure future for our nation."

liam Adkinson for the purchase of 20,850 acres of pristine undeveloped land in the panhandle of Florida. Nine months prior to that, Lawrence A. Freeman, representing an Adkinson shell corporation called Panhandle Coast Investors, had negotiated the purchase of the land from the St. Joe Paper Company, part of the Du Pont corporation's extensive holdings. In the early 1970s, Freeman had worked for Paul Helliwell's Miami law firm and then became the in-house counsel for Castle Bank & Trust.

A "developer" overnight, Adkinson, with the help of his many companies, has funneled tens of millions of dollars obtained through allegedly fraudulent loans from S&Ls to offshore bank accounts in the Channel Islands.³⁷ In one instance, seven S&Ls, including Vision Banc, lent Adkinson's corporation more than \$100 million to buy a shopping center in Texas. The shopping center was estimated to be worth no more than \$30 million.³⁸

Adkinson's financial empire flourished with investments from wealthy Kuwaitis. In 1981, Adkinson entered into several real estate ventures with the Ahmad Al Babbain Group of Companies, Ltd. This Netherlands Antilles corporation was controlled by Adel Abdullatees, Al-Ateeqi, Barrak Abdul, Mohsenal-Ateeqi, and the Overseas Development and Exchange Corporation. By 1982, Adkinson had joined hands

with another group of Kuwaitis, reportedly headed by Isam Khammach and Keith Allan Cox. Their combined efforts secured millions of dollars used to pay for weapons shipments to Iraq.

Lawrence Freeman dropped from visible participation in the St. Joe land deal when he was indicted in November 1985 for laundering drug money for Jack DeVoe's organization. However, the offshore bank account which later received Hill Financial and Vision Bank loan proceeds for the St. Joe land purchase were the same accounts used by Freeman to launder Jack DeVoe's drug monies.

According to State of Florida investigative records, Freeman gave cash from DeVoe's drug deals to an organized crime figure known as "the Cobra." "The Cobra" then transferred money from his offshore bank accounts into DeVoe's offshore accounts. One member of the DeVoe organization claims that the "the Cobra" was actually Santo Trafficante, a renowned Mafia figure who had worked with the CIA in planning an attempt to assassinate Cuban President Fidel Castro.

Vision Banc Savings was owned by Robert L. Corson. According to the *Houston Post*, Corson has transported money from country to country for the CIA since the mid 1970s.³⁹ Richard Brenneke said he first met Corson in the lobby of Allied Bank of Texas in 1975.⁴⁰ Corson is the former son-in-law of Walter Mischer, a member of the Texas power elite. Mischer had controlled Allied Bancshares, the holding company for Allied Bank, until 1988 when First Interstate Bancorp of California purchased the problem-riddled thrift.

As the St. Joe land deal went sour, Hill Financial and Vision Banc were faced with enormous financial difficulties. Federal regulators closed the S&Ls in March 1989 with combined losses estimated to be at least \$2.4 billion. Three U.S. Attorneys' offices are reportedly involved in the investigation into the collapse of Hill Financial and Vision Banc, but to date no criminal charges have been filed. However, Corson has been banned from the banking industry by the Office of Thrift Supervision.

Conclusion

Shortly after the *Houston Post* began its series on the connection between organized crime, the CIA, and S&L failures Frank Annunzio (Dem.-Illinois) called upon CIA director William Webster to respond to the allegations made by the *Post*. Webster, of course, declined. Annunzio then turned the inquiry over to the House Select Committee on Intelligence.

Since May 1990, the staff of the House Committee has been conducting an investigation into alleged CIA involvement in the savings and loan debacle. Investigators looking for a smoking gun pointing to direct CIA involvement, will likely never find one. The CIA is expert at covering their involvement in covert operations and this should prove relatively easy in the complex dealings of the financial world. Whether or not a smoking gun is discovered, it is clear that the CIA is linked to the S&L debacle of today. ●

37. *Op. cit.*, n. 13 and Pete Brewton, "Attorney linked to S&L crisis has ties to CIA, Mafia figures," *Houston Post*, April 4, 1990, p. A-11.

38. Brewton, *op. cit.*, n. 37, p. A-11.

39. Pete Brewton, "S&L probe has possible CIA links," *Houston Post*, February 4, 1990, p. A-20.

40. *Ibid.*

The Middle East in "Crisis"

by Jane Hunter

Three months ago the U.S. was a falling star. Its militarized economy was embarrassingly irrelevant in the post-Cold War world. It was being evicted from its military outposts in Europe and Asia. Then that falling star snagged itself on Iraq's invasion of Kuwait. Now the Bush administration, with its rush to war in the Persian Gulf, has hijacked the "new world order" that was to rise from the ashes of the Cold War. No one could have invented a more convenient redemption.

Opinion makers hailed as "leadership" the alacrity with which the Bush administration engineered an invitation from the Saudi royal family and the speed with which it moved over 208,000 troops to Saudi Arabia. In fact, what looked like decisive leadership was actually the opportune fulfillment of a longstanding U.S. desire for a base in the Persian Gulf. During the 1970s, a base in Saudi Arabia was a frequently discussed objective, according to a former congressional aide.

After the Gulf states rebuffed Carter administration efforts to send troops to the region in 1980 when the Iran-Iraq war began, the U.S. opted instead for the mega-sales of weapons to Saudi Arabia and for the establishing of military facilities capable of serving U.S. troops. The Reagan administration developed the Rapid Deployment Force, the Central Command that now sits in the Saudi desert. "We have a remarkable new outpost in the Gulf," exulted Assistant Secretary of Defense Paul Wolfowitz.¹

The new foothold in the Gulf puts the U.S. well on its way to controlling the world's oil supply, the only primary commodity to have eluded its grasp. During the 1980s, Washington, with the collaboration of its western allies, waged an enormously successful economic war against the Third World, not just by the devastating currency transfers extracted as debt servicing, but also by forcing down the prices of the primary materials on which undeveloped countries depend to earn hard currency. This economic discipline—a subtle, sanitized form of colonialism—and the collapse of the U.S.S.R. as an alternative source of political and economic support stifled the voices of Third World leaders who called for a reordering of economic relations.

The plummeting prices of the glutted oil market quelled the defiance of many Third World oil producers. The western powers relied on Saudi Arabia and its Gulf neighbors to keep the price of oil low by overproduction. They were not unduly discomfited by Iraq's efforts in July to secure a rise in the

OPEC price of oil and to get Kuwait to stop pumping more than its OPEC quota. They knew their allies in OPEC could maneuver around Saddam Hussein.

But when Iraq invaded Kuwait and Saddam Hussein began talking about redistributing the oil wealth of the sparsely populated Gulf sheikdoms to the poor, densely populated Arab countries, Washington responded swiftly. Saying Saddam had "broken the mold" and "forever changed the balance of power over there," a senior administration official declared that the situation "implies a permanent [U.S.] presence in the gulf."² Once the embargo on Iraqi and Kuwaiti oil and the threat of a U.S.-led war pushed petroleum prices higher than Saddam Hussein's "leadership" of OPEC ever could, President George Bush's clarion call to defend "our way of life," cheap gas,³ faded. But by then he was onto a better thing.

Just when it seemed that Bush could extract no more national wealth for the military and intelligence establishments—and might actually have to return a pittance in the form of a "peace dividend"—came the perfect solution: tax the people at the gas pump. This is not the tax long advocated by environmentalists to reduce this nation's consumption of oil—instead Saudi Arabia and its neighbor monarchies collect this revenue in the form of clear profit. They have agreed, after some jawboning, to return some of those profits to defray the costs of the U.S. military intervention. Nothing exemplifies the U.S. attitude toward this transaction so well as the administration's proposal that the money go into a "National Defense Gift Fund," for the Pentagon to spend as it sees fit.⁴

The Gulf crisis is no longer about oil, but about imposing the will of the U.S. on an uppity Third World leader. Never mind that they backed him against Iran, most of the time, and cultivated him as a prime U.S. export customer. Now it seems it is only a matter of time until Washington finds the pretext to unleash a horrific war on Iraq, driving oil prices to unprecedented heights.

The military that will fight that war is once again standing tall, casting its shadow over civil society. In the weeks before the crisis, when the news was about layoffs in the defense industries, the Pentagon and the corporations which feed at its trough were devoting considerable energy to consuming the funds reserved for the "war on drugs." Before that, the Pen-

Jane Hunter is the author of several books and contributor to several foreign newspapers. She is the editor of the independent monthly report *Israeli Foreign Affairs*, which is available for \$20 per year from *Israeli Foreign Affairs*, P.O. Box 19580, Sacramento, CA 95819.

1. ABC's, *Nightline*, as quoted in *In These Times*, August 29-September 11, 1990.

2. David Hoffman, "White House Counts on Military Buildup to Force Saddam's Hand," *Washington Post*, August 15, 1990.

3. AP, August 15, 1990; R.W. Apple Jr., "Bush Says Iraqi Aggression Threatens 'Our Way of Life,'" *New York Times*, August 16, 1990; Thomas L. Friedman, "U.S. Gulf Policy: Vague 'Vital Interests,'" *New York Times*, August 12, 1990.

4. AP, September 19, 1990.

tagon tried to demonstrate that its Stealth aircraft, which many in Congress wanted to cancel, was suitable for bombing Panama and other Third World countries. The Stealth is now to be deployed in Saudi Arabia.⁵ The Pentagon's enthusiasm for such pursuits rose in direct proportion to congressional efforts to scale back the huge machine that the Reagan administration built under the pretext of a Soviet threat.

The CIA and its consort agencies have also gained a stronger hold on their multibillion-dollar share of the budget. Under pressure from critics and faced with a growing reluctance in Congress to fund its major proxy wars (in Afghanistan, Cambodia, and Angola), the CIA was busy touting its post-Cold War usefulness as an economic espionage agency.⁶ On September 21, CIA Director William Webster told the Foreign Policy Association that without the "investment" in the CIA during the 1980s, the Agency "could not have responded as we have" to the Gulf crisis. "If we do our job well," said Webster, "they [the Administration] will continue to make wise policy decisions." It may be that the timely "leaks" of the CIA's help to the Kuwaiti resistance⁷ will revive support in Congress for the Directorate of Operations.

It is being said the CIA has never managed to get its agents into Iraq. However, satellites and reconnaissance aircraft are now working overtime, as are the CIA and the NSA. "The Iraqi crisis area is being observed by more U.S. imaging reconnaissance satellites than the U.S. has ever had before in orbit at any one time."⁸ If war breaks out, Iraq will be fighting blind. U.S. intelligence operatives are also using the television feeds from Baghdad for psychological analysis and even, in the case of the Defense Intelligence Agency, for frame-by-frame analysis to pick out military vehicles.⁹ Meanwhile, Iraqi officials are carefully studying Cable News Network.¹⁰

The U.S. military presence in Saudi Arabia will certainly strengthen the CIA's close relations with the Saudi royal family. Many Saudis believe that the royal family has for years depended on the Agency to defend it against its own citizens. Since the Nixon years the House of Saud has appeased the Agency by contributing billions of dollars (often unknown to Congress) to some of its favorite projects, among them the Nicaraguan *contras*, the National Front for the Salvation of Libya, UNITA, RENAMO, and the Afghan *mujahideen*.¹¹

Saudi Arabia is terrified of Arab reaction to any linkage of Israel with the U.S. military presence on its soil.

During the 1980s, at the behest of former CIA director William Casey, Saudi Arabia sold oil to South Africa through private dealers.¹² *Newsweek* recently reported that the Saudis were funneling money through their ambassador in Washington, Prince Bandar bin Sultan—who arranged for the Saudi donations to the *contras*—to pay for a CIA operation to overthrow Saddam Hussein.¹³

Strikingly, each and every Saudi beneficiary (but the Afghans) has also been an Israeli client, making the two partners-once-removed, perhaps more. The two also have a shared interest in preventing the creation of a Palestinian state, whose secular, democratic structure might inspire certain elements within the tightly restricted Saudi society. "Call the Saudi Arabian leaders and ask them to whom did they give more

help, the Palestinian national cause or the *Mujahideen* in Afghanistan," challenged a West Bank supporter of the PLO.¹⁴

The coming war might well bring this tacit Saudi-Israeli alliance into the open. At summer's end, Saudi Arabia and Israel were among the tiny number of governments urging a quick war against Iraq, a call that has been repeated by Israel's supporters in the U.S. media. However, Saudi Arabia is terrified of Arab reaction to any linkage of Israel with the U.S. military presence on its soil. Thus, the Bush administration is trying hard to keep Israel out of the picture. Among the several sins of Air Force chief of staff General Mike Dugan, who was fired September 17, were his disclosures that Israel had suggested attacking Saddam Hussein, his family, and his mistress (the same "decapitation" strategy used in the Israeli-advised 1986 attack on Libya) and that the U.S. B-52 aircraft were equipped with Israeli-made Popeye ("have nap" or Cruise) missiles.¹⁵

Israeli analysts seem to adhere to the much-touted but nonetheless dubious notion that massive U.S. air strikes will "do the trick."¹⁶ But it is not clear whether they really believe this or whether they have simply concluded that the U.S. would not do well in a desert war against Iraq. Israel wants the U.S. to destroy Iraq's unconventional weapons potential (thus implicitly endorsing Israel's own nuclear weapons and missiles); it may also hope to see the U.S. drawn into a new, no-end-in-sight Vietnam.

There are vast advantages for Israel if the U.S. gets bogged down in the Gulf. The general distraction will help Israel avoid dealing with Palestinian national claims. Meanwhile, the influx of Soviet Jews to Israel will permit the entrenchment of

5. Melissa Healy, "Pentagon to Send Stealth to Mideast," *Los Angeles Times*, August 16, 1990.

6. George Lardner Jr., "With Planning Unit, CIA Acts to 'Stay Ahead of the Curve,' Webster Discloses Agency's Fifth Directorate," *Washington Post*, April 13, 1990.

7. Patrick E. Tyler, "U.S. is Said to Assist Kuwaiti Resistance," *Washington Post*, August 31, 1990.

8. *Aviation Week & Space Technology*, September 3, 1990.

9. *Newsweek*, cited by *Jerusalem Post*, September 18, 1990.

10. Jonathan Schachter, "Iraq TV Yields Secrets to Intelligence Gatherers," *Jerusalem Post*, September 18, 1990.

11. Steven V. Roberts, et al., "Prop for U.S. Policy: Secret Saudi Funds," *New York Times*, June 21, 1987; "USA/Chad Target Gadaffi," *Africa Confidential*, January 6, 1989.

12. Louis Freedberg, "Irangate's South Africa Connection," *Pacific News Service*, March 21, 1987; *USA Today*, October 22, 1986, cited by (Amsterdam) *Newsletter on the Oil Embargo Against South Africa*, January 1987.

13. Reuters, September 3, 1990.

14. Jacob Wirschafter, "Arabs in Areas Put Best Face on Kuwait Crunch," *Jerusalem Post*, August 23, 1990.

15. Rick Atkinson, "U.S. to Rely on Air Strikes if War Erupts," *Washington Post*, September 16, 1990; John D. Morrocco, "Have Nap Offers Stand-Off Capability for B-52s in Mideast," *Aviation Week & Space Technology*, September 3, 1990.

16. "U.S. Goal: Destroy Hussein's Regime," *Forward*, August 31, 1990.

Jewish settlement in Palestine. The danger that the conflict might spread is likely to draw the U.S. closer to Israel—perhaps in a formal defense pact—and guarantee increased U.S. military aid for Israel.¹⁷

Even before the first shot is fired, Israel has asked for—and is likely to receive—more weapons and military aid, as well as immediate access to pictures taken by U.S. spy satellites.¹⁸ Raw and real-time satellite intelligence has been denied Israel since it used such data to destroy Iraq's nuclear reactor in 1981.¹⁹ (Israel subsequently began developing its own surveillance satellite—in cooperation with South Africa.²⁰)

And Those Other Countries

By political brute force Washington has established itself as crusade leader. "Country after country is being asked to define its role in the post-Cold War world in terms of its response to Iraq's invasion of Kuwait," wrote Middle East correspondent Daniel Williams.²¹

With the Soviet Union offering to share intelligence with Washington²² and making tentative noises in support of a U.S. military move, many Third World countries have hastened to get on board what for them is now the only train, the American bandwagon. Although several expressed interest in Iraq's offer of free oil to Third World nations, most countries have mutely borne the pain of the embargo; some, like Bangladesh and Senegal, have sent troops, which, say people returning from the Middle East, are being well paid by Saudi Arabia. Few of them have ventured that, given its invasions of Grenada and Panama, the U.S. has dubious credentials for the leadership role it has assumed against Iraq's conquest of territory by force.

Although many sent ships to enforce the U.N. embargo on Iraq, European nations pointedly declined to contribute directly to the U.S. military effort.²³ After the U.S. derailed European Community (EC) efforts to assist Jordan through a U.N. fund, the EC planned to put its own aid package together for Amman.²⁴ But none publicly objected to Bush's September 25 announcement that the U.S. would set up the "Gulf Crisis Financial Coordination Group." The group will "coordinate" the distribution of \$13 to \$15 billion of the \$20 billion pledges which Treasury Secretary Nicholas Brady has collected from Japan, West Germany, and the Gulf monarchies. The donors had tried to have the money distributed by multi-lateral agencies. On the day after Bush's announcement 17 "donor countries," the World Bank, and the International

Monetary Fund sent representatives to the U.S. Treasury Department to "an organizational meeting" of the new group.²⁵

The Bush administration has already gone to war against the domestic psyche. Its almost daily threats of war serve not only to put pressure on Iraq, but to prepare the public for the body bags. The media has, if only for the sake of drama, adopted a militant terminology that casts Saddam Hussein as a monster, a Hitler. There are also the vaguely attributed headline stories that seem designed to build the case for war. A report in the *New York Times* on September 26—that "one of the first tasks" assigned Iraqi troops entering Kuwait was to kill or capture Emir Sheik Jaber al-Almed al-Sabah—had absolutely no attribution at all. "Iraqis Spent Years Plotting Kuwait Strategy," the *Los Angeles Times* reported on September 24 (to be echoed by ABC's *Nightline* on September 26), citing "new findings, circulated by the U.S. intelligence community."

The *Los Angeles Times* redeemed itself on the 28th, with a story revealing that the State Department had deliberately misinterpreted an Iraqi foreign ministry note. The note, which asked if the U.S. embassy in Baghdad "would kindly inform the ministry" about foreigners it might be sheltering, was inaccurately interpreted as a threat to hang those who hide foreigners. While the U.S. chargé d'affaires in Baghdad greeted reporters wearing a noose instead of a necktie, a European diplomat said it was surprising to hear the harsh U.S. reaction to the "benign and bureaucratic request.... But strange things happen when you're on the brink of war."²⁶

Experts repeatedly expound on the ineptitude of the Iraqi army. The real doubt, however, lies with the young people who enlisted in the U.S. military as the only way to finance an education. Will they, especially the disproportionate number of minorities in their ranks, have an appetite for the killing and dying. Mindful of this, and the public opposition to the war against Vietnam, the television pundits repeatedly warn that the large margin of support for the president's policy might dwindle once the shooting begins.

The administration won its first telling domestic victory in August when the Joint Chiefs of Staff and President Bush decided on Operations Plan 90-1002, which calls for a rapid, massive troop build-up.²⁷ The speed of the build-up, before any protest could be organized, has permitted some pundits to hail the end of the "Vietnam syndrome."²⁸ ●

17. Eric Rozenman, "Arens tells Americans: Huge Sale of Arms to Arabs Upsets Balance," *Jerusalem Post*, September 18, 1990.

18. Joshua Brilliant, "Arens to Seek Access to U.S. Spy Photos," *Jerusalem Post*, September 16, 1990.

19. Bob Woodward, *Veil* (New York: Simon and Schuster, 1987), pp. 160-61.

20. *Israeli Foreign Affairs*, June, July, and November 1989.

21. Daniel Williams, "Jordan Walks a Tightrope on the Edge of the Perilous Gulf Whirlpool," *Los Angeles Times*, September 27, 1990.

22. AP, September 19, 1990.

23. AP, September 7, 1990.

24. Don Shannon, "U.S.-European Split Stalling Jordan Aid Plan," *Los Angeles Times*, September 29, 1990.

25. Clyde H. Farnsworth, "New Group to Direct Flow of Crisis Aid," and "Brady Urges Aid to Lands Hurt in Crisis," *New York Times*, September 26, and September 27, 1990 respectively.

26. Mark Fineman, "Baghdad Denies Threatening Envoys Who Hide Foreigners," *Los Angeles Times*, September 28, 1990.

27. Bob Woodward and Rick Atkinson, "Mideast Decision: Uncertainty Over a Daunting Move," *Washington Post*, August 26, 1990.

28. Michael Barone, "The end of the Vietnam Syndrome," *US News & World Report*, August 20, 1990.

The Other Iran-contra Cases

by David MacMichael

With the conviction in June of former National Security Adviser John Poindexter and the subsequent federal appeals court actions effectively reversing the conviction of Oliver North, it might appear that the so-called Iran-*contra* cases have been completed. This is not true.

The Office of the Independent Counsel, headed by Lawrence Walsh, continues in existence. Its federal grand jury remains empaneled, and indictments against several prominent *contra*-gate figures are believed imminent. Among those who may be charged are current U.S. ambassador to South Korea Donald Gregg and former assistant secretary of state for inter-American affairs Elliott Abrams. On September 18, 1990, onetime CIA officer Thomas Clines was convicted of four income tax charges arising from his part in the "Enterprise" of General Richard Secord.

In many ways more interesting are the cases which do not fall under the jurisdiction of the Independent Counsel, but which do relate to Iran-*contra* and are being, or recently have been, dealt with in federal courts around the U.S. Many of these concern individuals convicted of shipping or conspiring to ship military goods to Iran. Understandably, those so convicted find it unjust, or at least hard to understand, why they are doing time for committing precisely the acts which the Reagan administration was secretly doing, even as it prosecuted them. The Iran-*contra* revelations inspired a number of appeals for vacation of sentence. These so-called 2255 motions are filed on the ground that since the government had withheld evidence that would have been relevant to the sentence imposed, the sentence must be vacated.¹

The case of *U.S. v. Lemuel M. Stevens* is instructive. Stevens pleaded guilty in 1985 to one charge of conspiring to violate the Export Administration Act of 1969 and another of exporting an article on the U.S. munitions list to Iran.² On September 26, 1985, Stevens was sentenced to 3 years and a \$10,000 fine on the first count and 2 years and a \$10,000 fine on the second, sentences to run concurrently. However, the judge postponed final sentencing to January 30, 1986.

On March 30, 1988 District Judge Robert L. Vining Jr., acting on Stevens's appeal, vacated the sentence. Vining acted on the ground that since Attorney General Edwin Meese had been informed of the administration's Iran arms dealings on January 6, 1986, Meese had a duty to inform the court of that fact prior to final sentencing. This had not been done; hence,

Judge Vining ordered Stevens released pending a new trial, should the government wish to prosecute again. Stevens, it should be noted, made no attempt to claim that he was working with, or even thought he was working with, the U.S. government or the CIA.

In a similar case, on February 19, 1987, Federal District Judge G. Kendall Sharp ordered Charles St. Claire and Paul Sjeklocha (aka Paul Cutter) released on bond pending a new trial.³ Both had been convicted on December 16, 1985, in Orlando, Florida, to prison sentences of 18 months and five years respectively on various charges arising from the attempt to export military goods to Iran.

Judge Sharp agreed that the evidence of the Reagan administration shipments, had it been available at the time of the trial, could have been decisive in the jury's verdict. Indeed, he noted in his order of February 17 that the foreman of the jury that had convicted St. Claire and Sjeklocha stated publicly that had he known what the administration was doing he would have voted for acquittal. Judge Sharp freed both men pending determination as to whether a new trial was necessary. Sharp is concurrently considering Sjeklocha's appeal to have his sentence vacated under Section 2255. Again, neither defendant alleged any U.S. government connection with their arms trafficking. Their appeal was based on the belief that had knowledge of the government's own dealings been introduced in evidence, the verdict in their case, or at least their sentences, would have been different.

In cases of arms shipments to Iran arising after Iran-*contra*, the U.S. government has proceeded gingerly. In November 1986, defendants Bernd, Pleuger, and Zimmerman pleaded guilty to sending military avionics to Iran.⁴ Pleuger received five years probation after cooperating with the prosecution in naming other individuals and firms involved. Zimmerman is in West Germany and refuses to appear for sentencing.

In three other cases,⁵ all, like Zimmerman tried in federal district court, San Diego, California, the government accepted guilty pleas, fined the corporate and individual defendants from \$100,000 to \$200,000 apiece and offered deferred prosecution. The Assistant U.S. Attorney (AUSA) "explained [the] decision to offer deferred prosecution based in part on [the] Iran-contra affair...."⁶

Of a somewhat different order was the case of the *U.S. v.*

3. Charles St. Claire and Paul Sjeklocha were on trial in the U.S. Court of Appeals, Eleventh Circuit, Atlanta, Georgia.

4. *U.S. v. Juergen Zimmerman, et al.*

5. *U.S. v. Forway Industries, et al.*; *U.S. v. Marsh Aviation Co, Inc. and Floyd D Stilwell*, and *U.S. v. Hans Schneider and Beechcraft West Germany*.

6. AUSA Holly Fitzsimmons, *U.S. v. Durrani*, Government Response to Order to Show Cause Issued Pursuant to 28 USC Section 2255, June 4, 1990, p. 9.

David MacMichael is a former CIA estimates officer.. He is the Washington representative of the Association of National Security Alumni, and editor of its bimonthly newsletter, *Unclassified*.

1. These decisions are based on the Supreme Court's ruling in the 1963 case of *Brady v. Maryland*.

2. Stevens pleaded guilty in U.S. District Court, Northern District of Georgia, Atlanta Division.

Samuel Evans, et al. According to one of the defendants, Athens-based German shipping agent Hans Bihn (aka Michael Fredericks), U.S. Customs and the Justice Department set up an elaborate sting whose central figure was Iranian wheeler-dealer Cyrus Hashemi.⁷

In 1984, Hashemi had been indicted in New York, along with two of his brothers, on charges of arranging for the shipment of U.S. weaponry to Iran. One of the brothers, Reza Hashemi, had been taken into U.S. custody. Cyrus and the other brother, however, had remained out of reach in London.

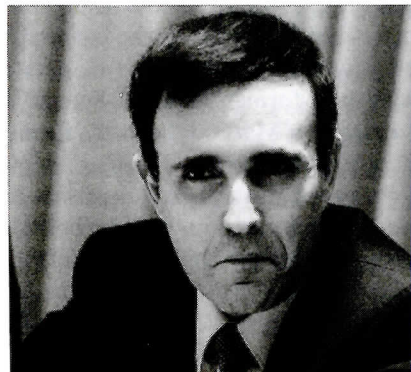
According to Bihn, in exchange for the release of his brother, Cyrus Hashemi agreed to participate in the entrapment of a gaggle of European and Israeli arms dealers, lawyers, shipping agents, and various commission men in a conspiracy to ship arms to Iran. The scheme, which began in the fall of 1985, involved first persuading the participants—before whose eyes the prospects of huge profits were continually dangled—that the operation was a secret U.S. scheme to restore the strategic relationship with Iran. Supposedly everything was directed from the highest levels of the U.S. government. The name George Bush was frequently invoked, as were those of William A. Middendorf, ex-Secretary of the Navy and then U.S. ambassador to the European Community, and Secretary of Defense Caspar Weinberger. Then a meeting of the participants with anonymous “high U.S. officials” took place in the U.S. Embassy in Paris. Only after all the participants were fully committed and had invested much time and money in organizing their parts did the second phase begin. The participants were told that the higher officials in the U.S. still supported the effort, but could no longer deliver the weapons through traceable channels. The participants, as go betweens, would have to arrange for false end-user certificates in order to deliver the arms. The mysterious contact man in New York assured them they were not to worry. Everything was fixed.

What they didn’t realize was that the fixer in New York, known to them as “the Doctor,” was in fact, the director of the sting and that Cyrus Hashemi took his orders directly from him. Hashemi had returned to the U.S., pleaded not guilty in a secret proceeding to the old charges against him and then, from a suite in New York City’s Beekman Towers hotel, telephoned his European contacts, and urged them to prepare the false papers necessary to carry out “option 2.” The conversations were recorded for the benefit of the Customs Service and the office of Federal Prosecutor Rudolph Giuliani.

Finally, on April 22, 1986, at Hashemi’s urging, the participants agreed to come to New York to meet the Doctor and resolve all their differences. The men were met at Kennedy International Airport by luxurious limousines that drove them to their hotel—the Justice Department’s Metropolitan Correctional Center (MCC) at 150 Park Row, Manhattan.

The “brokers of death,” as Customs chief William von Raab called them, were front page, primetime news. Von Raab and Giuliani were applauded for breaking the “ter-

rorist” ring. Simultaneously, the U.S. arranged with the government of Bermuda for the arrest of certain Israeli participants as they arrived for a meeting arranged by Hashemi. These men included William Northrop, Avram Bar Aram, Guriel and Israel Eisenberg, and the lawyer Samuel Evans. Although the arms export charges did not allow for extradition to the U.S., the Bermudan government, responding to U.S. pressure, declared that “terrorism” was the issue and forthwith handed the five over to U.S. authorities. They arrived in New York on May 21, 1986.



Credit: Rick Reinhard, Impact Visuals

Former Federal Prosecutor Rudolph Giuliani.

Trial was set for November 1986, just in time for the Iran-*contra* revelations to make prosecution of “the brokers of death” an acute embarrassment for Giuliani. Trial was postponed, and on February 14, 1987 Federal Judge Leonard Sand modified the bail terms to allow Bihn and the other defendants to return to Europe while remaining under subpoena to the newly-appointed independent counsel, Lawrence Walsh. Not long afterward, Giuliani quietly dropped the charges.

The Evans case deserves much more attention than it has received. Clearly, according to Michael Scott, the Denver attorney who handled the successful defense of Richard Brenneke, there was knowledge in the U.S. government that the whole case was a setup and a fraud. Cyrus Hashemi’s activities were controlled by someone in the government. The question is, who in the Customs Service or in the Justice Department were aware of the fraud as those agencies went forward with their investigation and prosecution?

Certainly, the arms dealing fraternity in Europe knew that the U.S. was surreptitiously preparing a major weapons sale to Iran. In early 1986 Richard Brenneke, for one, was sending a series of memoranda reporting on this to Marine Corps intelligence. It appears that Hashemi, and whoever he was working for, were trying to get as many people as possible involved. The suspicion is that one objective of this sting was to get rid of competitors of the Secord “Enterprise,” and at the same time cover the Iranian activities of the Reagan administration with a great show of diligence in maintaining the arms embargo against Iran and carrying out the struggle against “international terrorism.”

Indeed, in all of this there is a distinct resemblance to the

7. Michael Fredericks, *The Octopus Eagle* (Tallahassee, FL: Loiry Publishing House, 1987).

way in which Secord, former CIA deputy director of operations Theodore Shackley, and Thomas Clines, the ex-CIA officer now under indictment by Independent Counsel Walsh for Iran-*contra* related income tax violations, set up their former partner Edwin Wilson. Wilson was selling arms and explosives to the "terrorist" Libyan government of Muammar Qaddafi.⁸ Wilson, too, was duped into coming to the U.S. by a Giuliani-style federal prosecutor, Lawrence Barcella, and tried in a great show of U.S. government wrath and rectitude.

While there may be dispute about other aspects of Wilson's crimes (he is serving 53 years in the U.S. Penitentiary at Marion, Illinois), there is no missing the fact that his elimination benefited his erstwhile business associates, Secord, Clines, Shackley and former Defense Security Assistance Agency chief Erich von Marbod, Secord's former superior. This has been fully attested to by Clines's onetime girlfriend Shirley Brill. In a sworn affidavit Brill describes how Wilson, who had funded the partnership, was deliberately betrayed because his notoriety threatened the viability of the enterprise. In addition, Secord, et al., fraudulently obtained the contract to ship U.S. arms to Egypt, following the 1978 Camp David accords. Their company, then named the Egyptian-American Transport and Service Company (EATSCO), grossly overcharged the U.S. government and when convicted paid only a fine. Federal prosecutor Barcella never sought criminal indictments against Wilson's former partners. Brill says that Barcella was not interested in anything she tried to tell him about their illegal activities.

In any event, the show trial planned for Evans and his colleagues never came off because Iran-*contra* exploded in the midst of it. Giuliani, planning his ultimately unsuccessful run as the Republican candidate for mayor of New York, distanced himself at once. On November 7, 1986 when the *New York Times* wrote of "The Giuliani Connection" and the prosecutor's "key role in the cloak-and-dagger operation" Giuliani's comment was, "I am once removed from it."⁹

Walsh's office will not reveal whether any of the defendants in *U.S. v. Evans* were ever called to testify. Bihn speculates that Hashemi's role was to help the Reagan administration create a public diversion to cover its own shipments of arms to Iran. Hashemi's payoff was his own freedom and the release of his brothers. But Hashemi did not live to enjoy it. He died suddenly of a rare cancer in a London hospital in July 1987, before he could be called to testify as an Iran-*contra* witness or tell what he knew about the October Surprise of 1980.¹⁰

A more recent example of how public knowledge of Reagan administration Iran-*contra* machinations has affected

the government's attempts to prosecute Iran-*contra* related cases was the acquittal of Richard Brenneke in a Portland federal court. The essence of the government's charges against Brenneke was that he had made material false statements in a federal court proceeding in Denver in 1988. Under oath, in an unusual pre-sentencing hearing granted by the judge in the trial of Heinrich (Harry) Rupp, Brenneke had declared that Rupp and he were veteran CIA operatives and that Rupp had concealed this fact out of a mistaken belief that the bank fraud in which he had been involved must have been a covert operation. He further testified that he and Rupp had been present in Paris in October 1980 during the alleged October Surprise meetings.

Despite Judge Malcolm Marsh's refusal to allow Brenneke to call 19 of the witnesses on his list (including ex-President Jimmy Carter) and the government's use of Gregg as its star witness, it took the jury less than five hours to acquit Brenneke on all counts. The jurors were unanimous in saying they simply would not accept the word of any government witness, especially those associated with the intelligence agencies. The result should further have deepened the government's apparent sheepishness towards further prosecutions.

The Durrani Case

An exception would be the case of Arif Durrani. Arrested in October 1986 on charges of shipping Hawk missile components to Iran, Durrani has been the object first of zealous prosecution and, since his conviction, harsh application of the terms of his 10-year sentence. The difference appears to be rooted in the fact that, unlike the defendants in the other cases, Durrani insists that he was working at the request of the National Security Council to procure certain parts for the Iranian Hawk systems no longer available in U.S. supply channels.

Durrani is an interesting figure. Now 40 years old, he is a Pakistani national, literally born into the arms trade. His father was the procurement officer for the newly formed Pakistani armed forces for many years after that nation's independence in 1947. According to Martin Killian, Washington correspondent for the German magazine *Der Spiegel* and specialist in international arms dealing, Durrani has had a long relationship with the Iranian armed forces, frequently being called on to do quality checks of their weapons purchases. Durrani, according to this source, is highly regarded by his fellow professionals.

In the United States, Durrani owned and ran a firm called MEREX, which had a plant in the Los Angeles area that manufactured out-of-production parts for weapons systems. Durrani's MEREX had no legal connection with the West German MEREX, owned by Dieter Mertens, which has a branch in Alexandria, Virginia. However, Durrani's father and Mertens were associated in the establishment of the West German MEREX. U.S.-origin jet fighters from West Germany were used to resupply the devastated Pakistani Air Force following the India-Pakistan war.

At his trial Durrani testified that, shortly before his return to the U.S. and his arrest in Connecticut, he met with Oliver North in London to make arrangements for delivery of the

8. Peter Maas, *Manhunt* (New York: Random House, 1986).

9. *Op. cit.*, n. 7, pp. 96-97.

10. The October Surprise is the alleged 1980 meetings in Paris between members of the Reagan-Bush campaign staff and representatives of the Iranian government. William Casey, Richard Allen, possibly Bush himself, and then NSC staffer, later Bush aide and now ambassador to South Korea, CIA officer Donald Gregg are all said to have attended. The bargain which was struck was that Iran would not deliver the U.S. Embassy hostages to the Carter administration prior to the election, thus ensuring a Reagan victory. In return, the U.S., under Reagan, would secretly deliver to Iran the U.S. weapons and spare parts it needed for its war with Iraq.

parts in question. The prosecution witness, Michael Sneddon, testified that National Security Council (NSC) records did not show any NSC personnel, including North, in London during September. The CIA's Charles Moyer testified that the CIA's Office of Logistics had procured the necessary parts and had no record of Durrani's involvement.

Federal Judge T. F. Gilroy Daly would not permit the defense to introduce the just-issued Tower Commission Report or North's computer "prof notes." Daly justified Durrani's stiff sentence — 10 years and \$2 million in fines — by terming his testimony perjurious. Likewise, Durrani's assignment to high security federal correction centers and rejection of his appeals and his application for parole have all stressed his "perjury."

Judge Daly had some distaste for Durrani from the start. Daly denied bail partly on the ground that Durrani had concealed assets from his wife during their ongoing divorce proceedings. Daly said, "it is bad enough that he has been less than candid with the woman with whom he has exchanged vows but worse yet to perpetrate this same fraud on the court...."¹¹ Daly rejected, in advance, any claim that evidence of Reagan administration shipment of arms would be a defense: "I will tell you right now I do not regard that as a defense in this case, what the White House was doing. The law is the law."¹²

Durrani has been accused of presenting a forged National Intelligence Council memorandum as part of a motion for reduction of sentence in October 1988. On May 7, 1990 AUSA Holly Fitzsimmons, who prosecuted his case, descended on his cell in the Sheridan, Oregon Federal Correctional Institution, to seize the documents he was preparing for his *pro se* 2255 motion for a new trial. The search warrant alleged that he was continuing to falsify documents in support of his claim: that the acts for which he had been convicted were carried out with the authorization of the U.S. government.

The government continues to characterize Durrani's claims as "absurd and totally unsupported."¹³ But because of new evidence tending to support Durrani's contention, the government was forced to accept a hearing on the motion. This hearing has been postponed until November 1990 at the request of Durrani's attorney William Bloss. The evidence consists of the stipulations made by the defense in North's trial that contrary to Sneddon's testimony, North was in London at the end of September for the primary purpose of meeting with Panama's General Manuel Antonio Noriega. In addition, North's notebooks show references on September 26, 1986 to planned meetings with "the merchant" and discussions with "George" (possibly ex-CIA Middle East specialist George Cave) about "the shipment" and also a mention of "Mr. Goode" (the alias which Durrani claims North used for the

London meeting). By CIA direction, two and a half pages of about six pages dealing with September 26 are blacked out, then there is an unexplained hiatus with no entries for September 27 and 28, the notebook resuming on September 29.

None of this, of course, proves Durrani's story. It does, however, disprove Sneddon's testimony at Durrani's trial. Moreover, the question remains as to why Durrani has continued since filing his pre-trial affidavit on February 4, 1987, to insist on the meeting with North, especially since that has been used against him.

In preparation for the September hearing, Connecticut U.S. Attorney Stanley A. Twardy Jr. called North to appear before a federal grand jury in Bridgeport, Connecticut, on June 10. There was no publicity about North's appearance. He testified for about two hours and then left town quietly.¹⁴ Bloss, Durrani's lawyer, speculates that because of the allegedly forged National Intelligence Council document used during Durrani's 1988 appeal, the government will try to press additional obstruction of justice charges against his client.

Bloss is puzzled about the government's hard line with Durrani, especially when it has dropped cases or freed others. He says, "It is impossible for me to understand why Durrani is being prosecuted so vigorously." He believes that at least part of the reason is that Durrani's arrest, much like that of the figures in *U.S. v. Evans*, was attended by masses of publicity. This was "a big, big case in Connecticut," he says. It became so "high profile" that the government did not have "much room for maneuver." Once they started, they could not pull back without too much embarrassment for the Justice Department and the Customs Service.

In any event, North will definitely be a figure in the November hearing. Bloss says that if the government does not call him, he will. There is also new evidence from the Belgian customs service, through which Durrani shipped some material to Iran. Belgian officials may testify that they had been informed by superiors that Durrani's shipments were approved by the U.S. government. Finally there is the mysterious Portuguese arms dealer Manuel Pires with whom Durrani met in Lisbon in the summer of 1986. Pires was to have been one of the chief government witnesses against Durrani. However, when he learned he would be cross-examined under oath, he refused even to be deposed. Then, four months after Durrani had been convicted, Pires went to visit him in prison. Bloss is frustrated that Pires, out of reach of a subpoena, will not testify at all. Other potential defense witnesses, also in Europe, likewise refuse to come into U.S. jurisdiction.

All of this indicates the possibility that the reason for the otherwise puzzling government behavior in the Durrani case is that there are still more discreditable details of the Iran arms deals that are being covered up. A new trial for Arif Durrani might reveal some of them. ●

11. *New Haven Register*, October 9, 1986.

12. *Hartford Journal Courant*, March 11, 1987.

13. *U.S. v. Durrani*, Government Response to Order to Show Cause Issued Pursuant to 28 USC Section 2255, 1, June 4, 1990.

14. *Bridgeport Post*, June 11, 1990.

The Indonesian Massacres and the CIA

by Ralph McGehee

Parts of this newly revised article were originally printed in a slightly different form as "Foreign Policy by Forgery" in The Nation, April 11, 1981. Notations have been made where CIA censors deleted portions of the original text.

In my original article I tried to explain, through the constraints of the secrecy agreement and the deletions by the CIA's review board, one aspect of the Agency's successful effort to manipulate events in Indonesia in late 1965 and early 1966. The article was based on a classified CIA study of which I was custodian while working in the International Communism Branch of the CIA's Counterintelligence Staff. *The Nation* joined with me in an unsuccessful lawsuit by the ACLU to gain release of the deleted portions of the article. The Agency claims it cannot delete unclassified lies or speculations. By heavily censoring my article, it effectively admitted to an Agency role in the operation.

In a recent story in the *San Francisco Examiner*, researcher Kathy Kadane quotes CIA and State department officials who admit compiling lists of names of the Communist Party of Indonesia (PKI), making those lists available to the Indonesian military, and checking names off as people were "eliminated."¹ The killings were part of a massive bloodletting after an abortive coup attempt taking, according to various estimates, between 250,000 and 1,000,000 lives and ultimately led to the overthrow of President Sukarno's government.

Since then a debate has simmered over what happened. A recent study based on information from former Johnson administration officials, asserted that for months the U.S. "did their damndest" through public pressure and more discreet methods, to prod the Indonesian army to move against Sukarno without success.²

Debate continues over the origins of the coup attempt called *Gestapu*. Was it the result of CIA machinations, a takeover maneuver by General Suharto, a revolt by leftist officers under the control of the PKI, a power play by the People's Republic of China, a pre-emptive strike by Sukarno loyalists to prevent a move by officers friendly to the CIA, some combination of these factors, or others as yet unknown? I confess to no inside knowledge of the *Gestapu*.

Ralph McGehee worked for the CIA from 1952 until 1977 and now writes about intelligence matters, notably the book *Deadly Deceits: My 25 years in the CIA* (New York: Sheridan Square Press, 1983). He has compiled a computer data base on CIA activities. Persons interested may write to him at: 422 Arkansas Ave., Herndon, VA 22070.

1. Kathy Kadane, "Ex-agents say CIA compiled death lists for Indonesians," *San Francisco Examiner*, May 20, 1990.

2. H.W. Brands, "How the United States Didn't Topple Sukarno," *The Journal of American History*, December 1989, pp. 785-808.

Historical Background

It is well known that the CIA had long sought to unseat Sukarno: by funding an opposition political party in the mid-1950s,³ sponsoring a massive military overthrow attempt in 1958,⁴ planning his assassination in 1961,⁵ and by rigging intelligence to inflame official U.S. concerns in order to win approval for planned covert actions.⁶

Before attempting to describe one aspect of the CIA's role, it is essential to provide background on the scope and nature of its worldwide operations. Between 1961 and 1975 the Agency conducted 900 major or sensitive operations, and thousands of lesser covert actions.⁷ The majority of its operations were propaganda, election or paramilitary.⁸ Countries of major concern, such as Indonesia in the early 1960s, were usually subjected to the CIA's most concerted attention.

Critics of the CIA have aptly described the mainstays of such attention: "discrediting political groups...by forged documents that may be attributed to them...,"⁹ faking "communist weapon shipments,"¹⁰ capturing communist documents and then inserting forgeries prepared by the Agency's Technical Services Division.¹¹ The CIA's "Mighty Wurlitzer" then emblazoned and disseminated the details of such "discoveries."

The Mighty Wurlitzer was a worldwide propaganda mechanism consisting of hundreds or even thousands of media representatives and officials including, over a period of years, approximately 400 members of the American media.¹² The

3. Joseph B. Smith, *Portrait of a Cold Warrior* (New York: G.P. Putnam's Sons, 1976), p. 210.

4. *Ibid.*, pp. 225-48.

5. U.S. Congress, Staff Report of the Senate Select Committee to Study Governmental Operations with Respect to Intelligence Activities, Alleged Assassination Plots Involving Foreign Leaders, 94th Congress, 1st session, 1975 (p. 4 footnote).

6. *Op. cit.*, n. 3, p. 229.

7. U.S. Congress, Final Report of the Senate Select Committee to Study Governmental Operations with Respect to Intelligence Activities, Foreign and Military Intelligence, 94th Congress, 2nd session, 1976 (Book I, p. 446). Hereinafter cited as the Church Committee Report.

8. U.S. Congress, House of Representatives Pike Committee Report. Permission to disseminate the report was denied but a copy was leaked and published in a supplement to the *Village Voice*, February 16, 1976, p. 23.

9. Miles Copeland, *Beyond Cloak and Dagger: Inside the CIA* (New York: Pinnacle Books, 1974), p. 203.

10. Noam Chomsky, *Turning the Tide: U.S. Intervention in Central America and The Struggle for Peace* (Boston: South End Press, 1985), pp. 119-20.

11. Philip Agee, *Inside the Company: CIA Diary* (New York: Bantam Books, 1975), pp. 142, 143.

12. Stuart Loory, "The CIA's Use of the Press: a 'Mighty Wurlitzer,'" *Columbia Journalism Review*, September/October 1974, pp. 9-18. Also, Carl Bernstein, "The CIA and the Media:...why the Church Committee covered it up," *Rolling Stone*, October 20, 1977, pp. 55-67.

CIA has used the Wurlitzer and its successors to plant stories and to suppress expository or critical reporting in order to manipulate domestic and international perceptions. From the early 1980s, many media operations formerly the responsibility of the CIA have been funded somewhat overtly by the National Endowment for Democracy (NED).



As two men await certain death, a soldier bayonets those at his feet, October 1965. This is one of the very few photographs documenting the massacre.

From the earliest days, the Agency's International Organizations Division (IOD) implemented and coordinated its extensive covert operations. The division's activities created or assisted international organizations for youth, students, teachers, workers, veterans, journalists, and jurists.¹³ The CIA used, and continues to use, the various labor, student, and other suborned organizations not only for intelligence and propaganda purposes, but also to participate in elections and paramilitary operations and to assist in overthrowing governments. At the same time, the CIA manipulates their organizational publications for covert propaganda goals.

The labor unions the CIA creates and subsidizes, in their more virulent stages, provide strong-arm goon squads who burn buildings, threaten and beat up opponents, pose as groups of the opposition to discredit them, terrorize and control labor meetings, and participate in coups.

Use of "Subversive Control Watch Lists"

As a matter of course, the Agency develops close relationships with security services in friendly nations and exploits these in many ways — by recruiting unilateral sources to spy on the home government, by implementing pro-U.S. policies, and by gathering and exchanging intelligence. As one aspect of those liaisons, the CIA universally compiles local "Subversive Control Watch Lists" of leftists for attention by the local government.¹⁴ Frequently that attention is the charter of government death squads.

After the CIA's overthrow of Arbenz's government in Guatemala in 1954, the U.S. gave the new government lists of opponents to be eliminated.¹⁵ In Chile from 1971 through 1973, the CIA fomented a military coup through forgery and propaganda operations and compiled arrest lists of thousands,

many of whom were later arrested and assassinated.¹⁶ In Bolivia in 1975, the CIA provided lists of progressive priests and nuns to the government which planned to harass, arrest and expel them.¹⁷ To curry the favor of Khomeini, in 1983 the CIA gave his government a list of KGB agents and collaborators operating in Iran. Khomeini then executed 200 suspects and closed down the communist Tudeh party.¹⁸ In Thailand, I provided the names of hundreds of leftists to Thai security services.¹⁹ The Phoenix program in Vietnam was a massive U.S.-backed program to compile arrest and assassination lists of the Viet Cong for action by CIA-created Provisional Reconnaissance Unit death squads. In fact, former Director of the CIA William Colby compared the Indonesian operation directly to the Vietnam Phoenix Program. Colby further admitted directing the CIA to concentrate on compiling lists of members of the PKI and other left groups.

In 1963, responding to Colby's direction, U.S.-trained Indonesian trade unionists began gathering the names of workers who were members or sympathizers of unions affiliated with the national labor federation, SOBSI. These trade unionist spies laid the groundwork for many of the massacres of 1965-1966.²⁰ The CIA also used elements in the 105,000-strong Indonesian national police force to penetrate and gather information on the PKI.²¹

Providing "Watch Lists" based on technical and human penetration of targeted groups is a continuing program of CIA covert operators. Today, U.S.-advised security services in El Salvador, using the techniques of the Phoenix program, operate throughout El Salvador and have taken a heavy toll on peasants, activists and labor leaders in that country. In the late 1980s, the CIA began assisting the Philippine government in the conduct of "low-intensity" operations by, among other things, computerizing security service records of leftists and assisting in the development of a national identity card program.²² Wherever the CIA cooperates with other national security services it is safe to assume that it also compiles and passes "Subversive Control Watch Lists."

Putting the Pieces Together

All of this is essential to understanding what happened in Indonesia in 1965 and 1966. In September and October of 1965, the murder of six top military officers during the *Gestapu* coup attempt provided a pretext for destroying the PKI and removing Sukarno. Surviving officers — principally General Suharto, who was not a target — rallied the army and defeated the coup, ultimately unseating Sukarno.

Two weeks before the coup, the army had been warned that

16. Church Committee Report, *Covert Action in Chile 1963-1973*, 94th Congress, 1st session, 1975, 230 pages. Also R.J. Rojas, *The Murder of Allende* (New York: Harper and Row, 1975).

17. *The Nation*, May 22, 1976, p. 624.

18. *Washington Post*, November 19, 1986, p. A28.

19. Ralph McGehee, *Deadly Deceits: My 25 Years in the CIA* (New York: Sheridan Square Publications, 1983).

20. P. Gribben, "CIA in Indonesia," *CounterSpy*, Winter 1979, pp. 23-32.

21. *Op. cit.*, Smith, n. 3, pp. 220-21.

22. Ralph McGehee, "Vigilante terror," *The National Reporter*, Fall 1987, pp. 24-31.

13. Church Committee Report, Book IV, pp. 48-50.

14. *Op. cit.*, n. 11, pp. 240, 247.

15. George Black, "Counterrevolution as a way of life," *NACLA Report on the Americas*, January/February 1983, p. 4.

the PKI was plotting to assassinate army leaders. The PKI, nominally backed by Sukarno, was a legal and formidable organization and was the third largest Communist Party in the world. It claimed three million members, and through affiliated organizations—such as labor and youth groups—it had the support of 17 million others. The Army's anxiety had been fed by rumors throughout 1965 that mainland China was smuggling arms to the PKI for an imminent revolt. Such a story appeared in a Malaysian newspaper, citing Bangkok sources which relied in turn on Hong Kong sources. Such untraceability is a telltale mark of the Mighty Wurlitzer.²³

Less subtle propaganda claimed that the PKI was a tool of the Red Chinese and planned to infiltrate and divide the armed forces. To bolster these allegations, "communist weapons" were discovered inside Chinese crates labeled as construction material. Far more inflammatory news reporting prior to October 1965 claimed the PKI had a secret list of civilian and military leaders marked for beheading.

After the coup attempt the Indonesian Army in the main left the PKI alone, as there was no credible evidence to substantiate the horror stories in the press. [Eight sentences censored.] As noted, a favorite tactic is to arrange for the capture of communist documents and then insert forgeries prepared by the Agency's Technical Services Division.²⁴

Suddenly documents were serendipitously discovered providing "proof" of PKI guilt. On October 23, 1965, the *Suara Islam* reported:

...millions of copies of the text of a proclamation of the counterrevolutionary Gestapu...have been recovered.... The text...was obviously printed in the CPR [People's Republic of China]. Steel helmets and a large quantity of military equipment have also been found.... There is incontrovertible evidence of the CPR's involvement.... The arms sent by the CPR were shipped under cover of "diplomatic immunity." ...other important documents offer irrefutable evidence of the involvement of the CPR Embassy and the CPR ambassador....²⁵

On October 30, 1965 Major General Suharto, in a speech before a military audience, angrily denounced the PKI saying that captured documents proved the PKI was behind *Gestapu*.²⁶ Suharto demanded that the "Communists be completely uprooted."²⁷

On November 2, the *Indonesian Armed Forces Bulletin* asserted that the PKI had a plan for revolution, and published supposed PKI directives for the period following the October coup attempt. The document stated that the PKI "is only supporting the revolutionary council" that the coup tried to es-

tablish. It added that if the council were crushed the PKI would "directly confront" the generals whom the coup leaders accused of planning to overthrow President Sukarno. The document also said, "when the revolution is directly led by the PKI, we can achieve victory because the command will be under the PKI—our hidden strength is in the armed forces."²⁸

Military leaders [seven words censored] began a bloody extermination campaign. Civilians involved were either recruited and trained by the army on the spot, or were drawn from groups such as the army- and CIA-sponsored SOKSI trade unions [Central Organization of Indonesian Socialist Employees], and allied student organizations.²⁹ Media fabrications had played a key role in preparing public opinion and mobilizing these groups for the massacre.

The documents, manufactured stories of communist plans and atrocities, and claims of communist arms shipments created an atmosphere of hysteria, resulting in the slaughter and the establishment of a dictatorship that still exists today.

The Agency wrote a secret study of what it did in Indonesia. [One sentence censored.] The CIA was extremely proud of its [one word censored] and recommended it as a model for future operations [one half sentence censored].

Yesterday's Fake News, Today's Fake History

The CIA desperately wants to conceal evidence of its role in the massacre, which it admits was one of the century's worst. The U.S. media seem equally determined to protect the American image from the consequences of covert operations.

Reaction to Kadane's new revelations was swift. An Op-Ed by columnist Stephen S. Rosenfeld in the July 20, 1990 *Washington Post*, and an article by correspondent Michael Wines in the July 12, 1990 *New York Times*, each deny any CIA role in the massacre. Rosenfeld, reversing his conclusions of a week before, ignores the new evidence, cites one of many academic studies, and concludes with certainty: "For me, the question of the American role in Indonesia is closed."³⁰

Prior to his article, Wines interviewed me. His approach was to reject any information that might implicate the Agency. I told him virtually everything in this article and more. He dismissed the information and instead quoted John Hughes, an "observer removed from the controversy," citing him as formerly of the *Christian Science Monitor* but failing to mention that he was also State Department spokesman from 1982 to 1985. In an interview with Kadane, Hughes claimed that during the coup which brought Suharto to power, he functioned as the "eyes and ears of the embassy." Wines was uninterested.

Subversive control watch lists are an effective and deadly political tool long used by U.S. intelligence, so deadly that the Agency cannot allow them to become public knowledge. Keeping them secret depends on at least two things: Agency censorship of government employees, and self-censorship by the mainstream media. ●

23. Peter Dale Scott, "The United States and the overthrow of Sukarno, 1965-1967," *Pacific Affairs*, January 1986, pp. 239-63.

24. *Op. cit.*, Agee, n. 11.

25. *Foreign Broadcast Information Service (FBIS)*, "Counterrevolutionary Documents Recovered." Asia/Pacific Edition, Oct. 25, 1965, pp. 12, 13.

26. *FBIS*, "Army Minister's 30 October Speech Reported." Asia/Pacific Edition, November 2, 1965, pp. 4, 5.

27. *New York Times*, November 2, 1965.

28. From news dispatches, "Indonesian Army Lists Plot Details," *Washington Post*, November 3, 1965, p. A7.

29. *Op. cit.*, Scott, n. 23, p. 244.

30. *Washington Post*, July 20, 1990.

The Indonesia Transcripts

The following are excerpts from interviews conducted by journalist Kathy Kadane of States News Service, Washington, D.C.

May 14, 1990 interview with Jack Lydman, the former Embassy chief of mission.

Kathy Kadane: I've had some long and very fruitful talks with Bob Martens [the Embassy official who compiled the names] as well as others.

Jack Lydman: Yes. Yes. Bob was very good.

K.K.: He was the PKI [Indonesian Communist Party] expert *par excellence* it seems to me — (J.L.: Right.)

...

K.K.: One of the things he told me he did was fill up many many many gaps in the biographic reporting of who was who in the PKI. (J.L.: Yes, I think he did.)

...

K.K.: And it appears also that Joe Lazarsky [former deputy CIA station chief in Jakarta] and others have said that on occasion [the] CIA added some of their information. (J.L.: Yes.)

...

K.K.: He [Martens] said that there were thousands of names that were involved, (J.L.: Oh yes.) there were literally, over time he had developed thousands of names.... (J.L.: Oh, yes.)

K.K.: Going down to the regional and city organizations, SOBSI [the PKI's national labor federation], Gerwani [the PKI's women's organization].

J.L.: Oh, yes, absolutely. Well, you must remember that there were three and a half members — million members — of PKI and its affiliated institutions. That's a lot of people.

...

K.K.: In addition to that, others have told me that names came back from Suharto — from Murtopo, who was gathering.... (J.L.: Well, Ali [Murtopo] of course was the intelligence chief.) ... **K.K.:** He was the chief of intelligence.

J.L.: Well, I don't know the — I know of course that there were relations and networking going on on that, but I can't remember exactly how this one — how it came out. I don't know, for example, who was the principal contact with Ali — whether it was Will [U.S. Army attache Willis G.] Ethel [now deceased] or whether it was somebody else.

...

K.K.: Well, Ali was the guy who was in charge of gathering up in Suharto's headquarters the names of people who had been caught or killed. (J.L.: Yes.)

K.K.: And that those names were then given back (J.L.: Yeah.) to the Embassy, and Bob's — they were able to check off those names against Bob's list.

J.L.: I don't remember that exact sort of sequence, but it's

Tapes and printed transcripts of Kathy Kadane's extensive chronicling of the events of 1965-66, in Indonesia, will be available from: National Security Archive, 1755 Massachusetts Ave., NW, Washington, D.C. 20036. © 1990 Kathy Kadane.

plausible. It's plausible.

...

K.K.: Well, Ed Masters [the Embassy's third-ranking official] has said that there was cooperation at the top of the Embassy, though, in focusing on this, or supervising the whole activity [checking off the names of victims]. (J.L.: Oh, yes.)

December 1989 interview with Edward Masters, chief of the Embassy political section and Bob Martens's immediate supervisor.

K.K.: During a two-year period, he [Martens] and others — apparently it was a team of people, an interagency team that worked inside the [political] section that put this [PKI] list together — not list but essentially biographic information on index cards.

Edward Masters: Right.

K.K.: And Bob has told me that he used a lot of public sources, but in addition to that, it appears that CIA material was included — there was cross-indexing with CIA — with whatever other sources could be found. The Embassy essentially pooled its information on the PKI.

E.M.: Yeah, exactly. [Masters added that the PKI names were circulated at the Embassy "so (other Embassy officials) could all make their own input, they may know something about the people" through their contacts.]

December 18, 1989 interview with Ambassador Marshall Green.

Marshall Green: ... another thing is, they broke up the PKI very very rapidly. The extent to which we had any hand in it, that's something I wouldn't know. Maybe you could ask Bob [Martens] whether or not we furnished the information. I know that Bob has told me that we had a lot more information than the Indonesians themselves (**K.K.:** Yes.) and I think that may well be true. ... And he gave me the impression that this information was superior to anything they had. And I have no doubt that was probably true. For one thing, it would have been rather dangerous for anybody in the [Indonesian] government to try to single out who was who in the communist party because the communist party was so pervasive. And they were being fingered.

K.K.: So it meant that basically an Indonesian, maybe in the army or somewhere else, would have trouble constructing such a list, would they not? (**M.G.:** They definitely would.)

In a subsequent interview, December 20, 1989.

K.K.: Ed [Masters] said the decision to have Bob [Martens] disseminate the names to an army emissary was made by a group of you, yourself, the station chief Hugh Tovar, Ed himself, the defense attaché [Willis Ethel], and Jack Lydman.

M.G.: Yeah. ●

The Terrorism Industry

by Jane Hunter

The "Terrorism" Industry: The Experts and Institutions That Shape Our View of Terror by Edward Herman and Gerry O'Sullivan (New York: Pantheon Books, 1990).

In their book, *The "Terrorism" Industry*, Edward Herman and Gerry O'Sullivan demonstrate how the "terrorism experts" — "terrorologists," the authors call them — are a sales force, creating a demand for a product, "security," on behalf of the purveyors of that product. Their consumers are the military, intelligence, and corporate establishments of the U.S. as well as allied and client governments such as Britain, Israel and South Africa.

Certainly, in addition to being even scarier than the communists that were under our beds in the 1950s, terrorism, attacking innocent civilians, is indefensible. But, as the authors point out (and abundantly document), the concept the terrorologists are pushing is a limited one, narrowly defined to meet their needs: "retail terrorism." Wholesale, or "primary" terrorism, perpetrated by the West, the authors state in their preface, "inflicts far more terrorism than it endures." And it is often the direct response to this provocation which the "experts" label terrorism.

Later in the book Herman and O'Sullivan provide the numbers that prove this point. The 3,668 people who the CIA says died in "international terrorist" incidents between 1968 and 1980 are the tiniest fraction of those killed in the U.S. military's massacre at My Lai (Vietnam), in the Sabra and Shatila Palestinian refugee camps in Beirut, at the hands of Latin American death squads and proxy forces of Washington and Pretoria.

The terror industry's aim is not statistical or semantic accuracy. Launched in the late 1970s, it was all about fostering a climate; manufacturing a consensus that would permit the West to kill with even greater abandon.

The authors explain how the terrorologists are subsidized by institutions established to promote their own interests, among them: the RAND Corporation, sustained by military contracts; the Center for Strategic and International Studies, funded by corporations and rightwing foundations; the International Security Council, a front for the Unification Church (the Moonies); the Jaffee Center for Strategic Studies, which is attached to Tel Aviv University, but (as this reviewer learned when it was revealed during a Canadian immigration court hearing) gets consulting contracts from the Israeli government.

These quasi-academic settings confer a patina of respect-

ability on the terrorologists, who come not from academe but from intelligence agencies, the military, and the fringes of the far Right. The fancy imprimaturs on their publications help to conceal the fact that they are largely buttressed with citations of work by fellow terrorologists — which is often fraudulent.

Claire Sterling's trailblazing propagation of a Moscow-dominated world-wide terror network and the Bulgarian "plot" to kill Pope John Paul II were based largely on CIA disinformation and forgeries. Before he was "parked" at the RAND Corporation, where he pushed the Bulgarian hoax, Paul Henze, say the authors, was a CIA propaganda specialist.

The industry's assertion (never mind that it was widely debunked) that the U.S.S.R. was the coordinator of international terrorism bolstered the massive Reagan military buildup. At the RAND Corporation, Brian Jenkins, a Green Beret turned terrorologist, co-authored a report recommending "low intensity conflict" against Nicaragua through a proxy army. The terrorologists who helped Israel push the notion that the PLO (and Arabs in general) was synonymous with terrorism howled for action against "terrorist states" in the Middle East. Libya was bombed. The phony Iranian hit squad scare of 1981 buttressed proponents of domestic repression.

The national media outlets that the terrorologists attack as "liberal" receive them as academics, allowing them to make their outrageous assertions without facing challengers. This access to the corporate media, contend the authors, has enabled the terrorologists to "validate themselves by echoing one another in an information market which they dominate."

Not only do the terrorologists sell fear, many of them also sell its putative antidotes. Herman and O'Sullivan cite examples of some who run consultancies providing "risk assessment" and others with links to the private "security" firms which specialize in protective services and union busting. Thus, these exemplars of the private sector have a vested interest in "menace inflation."

The terrorologists have done so well peddling their snake oil that "terrorism" has survived the collapse of the Cold War — and *The "Terrorism" Industry* has survived the Reagan decade, during which it was written. That makes it especially unfortunate that the authors did not devote a few pages to suggestions for fighting back, e.g., every time one of these terror "experts" appears in print or on the television, call and complain if his intelligence or ultra-Right links are not revealed.

Although Herman and O'Sullivan occasionally lapse into the lingo of academe and forget that younger readers will not necessarily know about such things as My Lai and Alpha 66, the unsavory resumé of the terrorologists are precise and well documented. ●

Jane Hunter is the editor of the independent monthly report *Israeli Foreign Affairs*, which is available for \$20 per year from *Israeli Foreign Affairs*, PO Box 19580, Sacramento, CA 95819.

Tortillas, Beans and M-16s

by William Vornberger

Tortillas, Beans and M-16s: A Year with the Guerrillas in El Salvador by Wendy Shaull (London: Pluto Press, 1990. Distributed by Paul & Co. Publisher's Consortium, Inc.).

In February 1984, an American photojournalist walked into the mountains of El Salvador and began a one-year odyssey with the Faribundo Martí National Liberation Front (FMLN). Wendy Shaull is the photographer and her journal is a frank account of life in a war zone.

Tortillas, Beans and M-16s is not a ringing tribute to the glories of revolutionary struggle. Instead, through this book, we experience what is perhaps at the core of every revolution—blood, hunger, and death.

Several times during her year in the mountains, Shaull was forced to flee the rapidly advancing Salvadoran government army. In her first escape from the government's elite *Atlacatl* battalion, Shaull's group ran unorganized and unprepared into the mountains. As the army's helicopter gunships darted and swerved in their search for the guerrillas, a sudden thunderstorm advanced and sent the soldiers back to their barracks. Had Shaull and the group been sighted by the gunships, they would have certainly been killed.

Shaull struggled with the vast cultural differences between her life and the life of Salvadoran *campesinos*. To the Salvadoran people—and to most people living in desperate poverty—death has a different meaning than it does to many of us. At a ceremony to commemorate the death of a combatant, a leader stood to speak for a few moments about the loss of his *companero*:

But now, Juan said, death has meaning and belongs to all of us who struggle. Luis's death and the others who have fallen since the war began have made dying meaningful, an act of hope. In that sense they never die, they become part of our life in our struggle to create a new one.

The death and suffering in *Tortillas, Beans and M-16s* confront the reader with all that is harsh and unromantic about revolutionary struggle. But this book is not without its heroes. The commitment and dedication of many Salvadorans, as captured by Shaull, is testimony to the fact that war often provides the backdrop for peoples' good.

From Tilo, the roving priest who crosses the countryside helping to organize people, to Alicia, head of a first-aid and health care division who joined the guerrillas when she was 13, we read of many Salvadorans who give tremendously of themselves because they have a vision of a just and equitable El Salvador. When asked what she was fighting for, Alicia replied, "We're fighting so that we can live in our country without being treated like beasts of burden, so that we can live without fear."

According to Tilo, "...running a revolutionary war [is] like running a government: the variety of jobs and people needed to do the jobs, the economics involved, the social, political, and educational work, the coordination and keeping track of it all while fighting."

We are introduced to Maria, a former sub-regional president in the province of Chalatenango. She had been politically active since 1972:

I think living in the zone opens your eyes, teaches you about the reality you live in... we live in a war and during invasions the enemy kills any domestic animals they find and destroys our food. But as the war advances, our people living in the zone live better and better.

The passion and strength of the Salvadoran people is captured in the words of Alberto, a guerrilla poet:

*Our guerrilla life
is a love poem
a love poem written in blood
from battles, from anonymous mutilated corpses
appearing at dawn by the side of the road
our guerrilla life
is a love poem
of pure love.*

The war is ever present; everyday conversations revolve around the war and Shaull relates many dramatic events as they unfold. She describes her journey to La Palma to observe peace talks between the leaders of the FMLN and José Napoleón Duarte, then president of El Salvador. She was in Chalatenango province when the FMLN attacked the *Cerron Grande Dam*, the largest hydroelectric dam in Central America. It was a stunning assault on government forces and marked the first major operation in which the various factions of the FMLN worked together. It was also a clear signal to the Salvadoran government that the FMLN had the real capability to challenge the military.

Tortillas, Beans and M-16s is a varied and interesting account of life in revolutionary El Salvador experienced by a North American. It is a portrayal of the successes and failures of a guerrilla army as it struggles against a well-financed and technologically advanced government force. Shaull offers insight into the human dimension of war; the suffering, the loss, but primarily, the motivation that drives an outnumbered and outgunned guerrilla movement to challenge one of the region's most sophisticated armies. *Tortillas, Beans and M-16s* shows that the desperation bred by poverty and oppression is likely to continue to provoke decisive action on the part of its victims. ●

NEW ADDRESS

NEW ADDRESS

CovertAction Information Bulletin has a new address

**P.O. Box 34583
Washington, D.C. 20043**

GIFT SUBSCRIPTIONS

**With the Holiday season drawing near we would like to offer
our readers some ideas.**

Send a Gift Subscription to your friends and family.

Why mess with the madness of shopping? Save yourself the trouble and shop through the mail. Send \$17.00 with the name and address of the recipient of the Gift Subscription. We will then send a *CAIB* Gift Certificate stating that this Subscription is from you.

Purchase a Subscription for your local library.

We would like *CAIB* to be read by as many people as possible. The high school, college, and local libraries in your town could make *CAIB* accessible to a wide audience. So start the library out with a Gift Subscription; suggest that they begin a subscription themselves; or complete their collection with all of our back issues. Institutional Subscription \$22.00.

Sponsor a Subscription for an incarcerated individual.

We receive innumerable requests every year from people in prison. And there are many. But, we can not afford to accomodate all of these people with free subscriptions to *CAIB*. Sponsor a Subscription for a prisoner, support education behind bars.

Send your check or money order to: P.O. Box 34583, Washington, D.C. 20043.

Back Issues

No. 1 (July 1978): Agee on CIA; Cuban exile trial; consumer research in Jamaica. *Photocopy only.*
 No. 2 (Oct. 1978): How CIA recruits diplomats; researching undercover officers; double agent in CIA.
 No. 3 (Jan. 1979): CIA attacks CAIB; secret supp. to Army field manual; spying on host countries. *Photocopy only.*
 No. 4 (Apr.-May 1979): U.S. spies in Italian services; CIA in Spain; CIA recruiting for Africa; subversive academics; Angola. *Photocopy only.*
 No. 5 (July-Aug. 1979): U.S. intelligence in Southeast Asia; CIA in Denmark, Sweden, Grenada. *Photocopy only.*
 No. 6 (Oct. 1979): U.S. in Caribbean; Cuban exile terrorists; CIA plans for Nicaragua; CIA's secret "Perspectives for Intelligence." *Photocopy only.*
 No. 7 (Dec. 1979-Jan. 1980): Media destabilization in Jamaica; Robert Moss; CIA budget; media operations; UNTA; Iran.
 No. 8 (Mar.-Apr. 1980): Attacks on Agee; U.S. intelligence legislation; CAIB statement to Congress; Zimbabwe; Northern Ireland.
 No. 9 (June 1980): NSA in Norway; Glomar Explorer; mind control; NSA.
 No. 10 (Aug.-Sept. 1980): Caribbean; destabilization in Jamaica; Guyana; Grenada bombing; "The Spike"; deep cover manual.
 No. 11 (Dec. 1980): Rightwing terrorism; South Korea; KCIA; Portugal; Guyana; Caribbean; AFIO; NSA interview.
 No. 12 (Apr. 1981): U.S. in Salvador and Guatemala; new right; William Casey; CIA's Mozambique spy ring; mail surveillance. *Photocopy only.*
 No. 13 (July-Aug. 1981): South Africa documents; Namibia; mercenaries and gunrunning; the Klan; Globe Aero; Angola; Mozambique; BOSS; Central America; Max Hugel; mail surveillance.
 No. 14-15 (Oct. 1981): Complete index to nos. 1-12; review of intelligence legislation; CAIB plans; extended Naming Names.
 No. 16 (Mar. 1982): Green Beret torture in Salvador; Argentine death squads; CIA media operations; Seychelles; Angola; Mozambique; Klan; Nugan Hand. *Photocopy only.*
 No. 17 (Summer 1982): History of CBW; current plans; Cuban dengue epidemic; Scott Barnes and yellow rain lies; mystery death in Bangkok.
 No. 18 (Winter 1983): CIA and religion; "secret" war in Nicaragua; Opus Dei; Miskitos; evangelicals in Guatemala; Summer Institute of Linguistics; World Medical Relief; CIA and BOSS; torture in South Africa; Vietnam defoliation. *Photocopy only.*
 No. 19 (Spring-Summer 1983): CIA and media; history of disinformation; "plot" against Pope; Grenada airport; Georgie Anne Geyer.

No. 20 (Winter 1984): Invasion of Grenada; war in Nicaragua; Ft. Huachuca; Israel and South Korea in Central America; KAL flight 007.
 No. 21 (Spring 1984): *New York Times* on Salvador election; manipulation in *Time* and *Newsweek*; Accuracy in Media; Nicaragua.
 No. 22 (Fall 1984): Mercenaries and terrorism; *Soldier of Fortune*; "privatizing" the war in Nicaragua; U.S.-South African terror; Italian fascists.
 No. 23 (Spring 1985): Special issue on "plot" to kill the Pope and the "Bulgarian Connection"; CIA ties to Turkish and Italian neofascists.
 No. 24 (Summer 1985): State repression, infiltrators, provocateurs; sanctuary movement; attacks on American Indian Movement; Leonard Peltier; NASSCO strike; Arnaud de Borchgrave, Moon, and Moss; Tetra Tech.
 No. 25 (Winter 1986): U.S., Nazis, and the Vatican; Knights of Malta; Greek civil war and *Eleni*; WACL and Nicaragua; torture.
 No. 26 (Summer 1986): U.S. state terrorism; Vernon Walters; Libya bombing; *contra* agents; Israel and South Africa; Duarte; media in Costa Rica; democracy in Nicaragua; plus complete index to nos. 13-25.
 No. 27 (Spring 1987): Special issue on Religious Right; *New York Times* and Pope Plot; Carlucci; Southern Air Transport; Michael Ledeen.
 No. 28 (Summer 1987): Special issue on CIA and drugs: Southeast Asia, Afghanistan, Central America; Nugan Hand; MKULTRA in Canada; Delta Force; special section on AIDS theories and CBW. *Photocopy only.*
 No. 29 (Winter 1988): Special issue on Pacific: Philippines, Fiji, New Zealand, Belau, Kanaky, Vanuatu; atom testing; media on Nicaragua; *Reader's Digest*; CIA in Cuba; Tibet; Agee on *Veil*; more on AIDS.
 No. 30 (Summer 1989): Special issue on the Middle East. *The intifada*, Israeli arms sales; Israel in Africa; disinformation and Libya; CIA's William Buckley; the Afghan arms pipeline and *contra* lobby.
 No. 31 (Winter 1989): Special issue on domestic surveillance. The FBI; CIA on campus; Office of Public Diplomacy; Lexington Prison; Puerto Rico.
 No. 32 (Summer 1989): Tenth Year Anniversary Issue: The Best of CAIB. Includes articles from our earliest issues, Naming Names, CIA at home, abroad, and in the media. Ten-year perspective by Philip Agee.
 No. 33 (Winter 1990): The Bush Issue: CIA agents for Bush; Terrorism Task Force; El Salvador and Nicaragua intervention; Republicans and Nazis.
 No. 34 (Summer 1990) Noriega and the CIA; assassination of Martin Luther King Jr; Nicaraguan elections; South African death squads; U.S. and Pol Pot; Council for National Policy.
 No. 35 (Fall 1990): Special issue on Eastern Europe. Analysis on the Persian Gulf and Cuba; massacres in Indonesia; CIA and Banks; Iran-*contra*.

Subscriptions (4 issues/year):

U.S., 1 year, \$17 [], 2 years, \$32 [].
 Can., Mex., 1 year, \$22 []; 2 years, \$42 [].
 Lat. Am., Eur., 1 year, \$27 [] 2 years, \$52 [].
 Other, 1 year, \$29 []; 2 years, \$56 [].
 Institutions must add \$5/year.

Back Issues;

Nos. 1-7, 12, 14-18, 26-34, \$6.00 each.
 All others \$3.50 each.
 Institutions must add \$.50 per copy.
 Outside the U.S., add \$1.50 per copy for surface mail. For airmail, \$2.00 (Can., Mex.) and \$4.00 (all others) per copy.

Books

Dirty Work II: The CIA in Africa [\$25]
 Deadly Deceits: My 25 Years in the CIA [\$9.95]
 Secret Contenders: The CIA and the Cold War [\$7.95]
 White Paper/White Wash [\$6.50]
 Packaging The Contras: CIA Disinformation [\$6.00]

Amount Due:

Subscriptions	_____
Back issues — which numbers?	_____
Back issues — total cost	_____
Books [add \$.50 per copy P&H]	_____
Institutional charge	_____
Total amount due	_____

Mail to CAIB, P.O. Box 34583, Washington, DC 20043

Name and address

Start my sub with [] issue #35; or [] next issue.



Members of the Ukrainian Nationalist Organization arrive in Vilnius, Lithuania, to voice their support for independence, March 23, 1990.

CovertAction
INFORMATION BULLETIN

P.O. Box 34583
Washington, DC 20043



Bulk Rate
U.S. Postage
Paid
Permit No. 7
Easton, PA 18042